

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended  
September 30, 2018



CITY OF SUGAR LAND







# **CITY OF SUGAR LAND, TEXAS**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended  
September 30, 2018**

### **Officials Issuing Report**

**Allen Bogard  
City Manager**

**Jennifer Brown  
Director of Finance**

**Alka B. Shah  
Controller**



# Mayor & City Council



Listed in order: (L to R)

Amy L. Mitchell

Carol K. McCutcheon

Himesh Gandhi

Joe R. Zimmerman

Steve R. Porter

Jennifer J. Lane

Bridget R. Yeung

Council Member, District Three

Council Member, District Four

Council Member, At Large Position One

Mayor

Council Member, District One

Council Member, At Large Position Two

Council Member, District Two



**CITY OF SUGAR LAND, TEXAS**  
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## **INTRODUCTORY SECTION**

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## CITY OF SUGAR LAND

February 19, 2019

Honorable Mayor Joe Zimmerman and  
Members of the City Council  
City of Sugar Land, Texas

Dear Mayor and Council Members,

State law requires that a complete set of audited financial statements be filed with the City Secretary within 180 days of the close of each fiscal year. This annual financial report is presented to fulfill that requirement for the fiscal year ended September 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Whitley Penn, Certified Public Accountants, have issued an unmodified (or “clean”) opinion on the City of Sugar Land’s financial statements for the year ended September 30, 2018. The independent auditors report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **PROFILE OF THE GOVERNMENT**

The City of Sugar Land, incorporated in 1959, has adopted a Council-Manager form of government. The Council is comprised of a mayor and six council members. The Mayor and two Council members are elected at large, and the remaining four are elected by district. All elected officials serve two-year terms. No person can be elected to more than four consecutive regular two-year terms as mayor or council member. The City Manager is appointed by Council and is responsible for implementation of Council policy and all day-to-day operations of the City.

The Council appoints many residents who volunteer their expertise, experience, and time to serve on various boards and commissions. These boards and commissions make recommendations relative to special projects, issues, and planning for the future. The Planning and Zoning Commission meets on a regular basis. Other boards and commissions that meet as needed include the PARCS Board (Parks, Art, Recreation, Culture & Streetscapes), Zoning Board of Adjustment, Building Standards Commission, and Animal Advisory Board. Specialized committees such as the Charter Review Committee are convened for special projects and meet only for a specific purpose until a recommendation is formulated and presented to City Council. This community spirit and teamwork is common to the citizens of Sugar Land and critical to the City’s success.



A full range of municipal services are provided by the City of Sugar Land including public safety (Police, Fire/EMS and Dispatch); water and wastewater utilities; planning; community development & code enforcement; public improvements; repair and maintenance of infrastructure; residential solid waste and recycling; animal services; recreational and community activities; and general administrative & support services. In addition, the City owns, operates, and serves as the fixed base operator of a general aviation airport. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board (GASB), the City reports all funds for which the City, as the primary government, is financially accountable. The Sugar Land Development Corporation (SLDC), the Sugar Land 4B Corporation (SL4B), Sugar Land Town Square Tax Increment Reinvestment Zone (TIRZ 1), Sugar Land Tax Increment Reinvestment Zone No. 3 (TIRZ 3) and Sugar Land Tax Increment Reinvestment Zone No. 4 (TIRZ 4) are considered to meet the criteria of component units. The SL4B, TIRZ 1, TIRZ 3 and TIRZ 4 have been included in the report as discretely presented component units. The SLDC has been included with the special revenue funds as it is treated as a blended component unit. The SLDC and the SL4B Corporations were created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and related development activities on behalf of the City. TIRZ 1 was created in December 1998 and TIRZ 3 was created in December 2007 for the purposes of development and redevelopment in the Zone Areas. TIRZ 4 was created in December 2009 for the purposes of development and redevelopment in the Zone Area. The City participates in each Zone by contributing tax increments produced in the Zone to the Tax Increment Fund.

## **LOCAL ECONOMY**

The economic slowdown continued through the end of 2017 and shaped the approach to the FY18 budget. Regional economic conditions, the slowdown in the Oil & Gas industry, and changes in consumer spending behavior have placed downward pressure on local businesses, resulting in reduced sales tax revenue to the City. Recent instability in the economy, particularly on the heels of Hurricane Harvey, highlighted the need for the City to be less dependent on sales tax revenue, and transition to a more stable revenue stream. The FY18 budget was amended in October 2017, reducing the original sales tax revenue estimate along with property tax revenues based on the adopted tax rate, and identified reductions to the operating budget to ensure a balanced budget for the year.

The final budget for FY18 incorporated strategic changes to reduce the City's reliance on sales tax as a revenue stream for recurring operations. The City has historically transferred 10% of General Fund sales tax to support the Pay-As-You-Go (PAYG) capital improvement program. With the slowdown in the City's sales tax collections, the funding mechanism for supporting these recurring capital improvement costs has evaporated and highlighted the need to begin taking actions to implement a long-term solution. The FY18 budget incorporated the first steps in this strategy by forecasting no growth in the base sales tax estimates for the year, as well as transitioning recurring PAYG capital rehabilitation projects into departmental operating budgets, albeit at less than prior funding levels. This allows these projects to transition to a more stable funding source and ensures that critical maintenance items, such as road repairs, can continue when there is a downturn in sales tax. Over the next several years, recurring funding for infrastructure will be increased and supplemented by one time sales tax revenue where possible.

## **ANNEXATION**

One of the major accomplishments for the City is recent annexation of nine Municipal Utility Districts (MUDs) located in the Greatwood and New Territory communities, which is among the largest and most successful in state history. The annexation added approximately 30,000 new residents to the City along with utility assets and infrastructure. The City built its annexation planning around three guiding principles. These principles included providing the same level of service to the newly annexed areas, ensuring there was no decrease in existing services as a result of annexation, and that the annexation would generate sufficient revenues to pay for services within the areas so that existing taxpayers did not experience any increased costs. The City assumed the assets and liabilities of the districts including taking responsibility for any outstanding debt obligations. The annexation, effective December 12, 2017, was a tremendous success and the City has been able to meet all of its commitments to both the annexed areas and existing residents. The FY18 budget was developed to serve a population of 117,868 as of January 1, 2018 which is a 34% increase from the prior year. Outside of annexation-related staffing needs there were no new positions added in the FY18 budget. These annexed districts have now been fully integrated into the City's budget, with property owners in these areas paying City property taxes in FY19 to support services in these areas and the significant positive financial benefits providing additional capacity for capital projects.

## **LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES**

The Financial Management Policy Statements (FMPS) establish and document a framework for fiscal decision-making and that ensure that financial resources are available to meet the present and future needs of its citizens and business community. The FMPS, along with the City's long range financial planning, help to ensure prudent budgeting and fiscal health. Traditionally, Council meets in the spring with staff and management to identify priorities for the upcoming year's budget and to receive an update on the City's financial condition. In 2018, a series of workshops was held to review and discuss potential revisions to the FMPS as part of the biennial review and adoption.

Through the FMPS review process, City Council formalized a conservative approach to forecasting sales tax, and affirmed policy direction on budgeting property tax revenues at the effective tax rate plus 3%, as economic conditions permit. The effective tax rate plus 3% funds the base budget and a merit pool of 3%, consistent with Council's previous direction on compensation for employees, and provides funding for meaningful merit to employees based on performance.

One of the major changes included as part of the revisions to the FMPS was the addition of language that clearly defines the methodology for managing sales tax growth, particularly in the long-range forecast. Sales tax is now divided into two components: recurring and one-time revenue. Recurring revenue is an important component of balancing the budget, because recurring revenue streams should cover recurring expenditures. No recurring increases are built into the budget; and one-time revenues received in FY18 are available to support one-time needs in FY19. This change in policy was important because sales tax is one of the most volatile revenue streams and is highly sensitive to changes in the economy. Sales tax also comprises a significant portion of the total revenues in the general fund and supports 43% of operating expenditures. This is one of the primary reasons that it is important to be conservative when preparing revenue estimates, particularly with sales tax.

The operating budget reflects the City's focus on maintaining financial resiliency, particularly with infrastructure rehabilitation, and reinvestment in infrastructure. Funding for infrastructure such as streets, sidewalks, parks and municipal facilities, is a critical part of the operating budget, as it ensures that the City's assets are maintained properly. The City is continuing to budget recurring rehabilitation in the General Fund using a more diverse set of revenue streams as a funding source, rather than relying on sales tax to fund through the capital improvement program. The FY19 budget increases recurring rehabilitation funding by \$300,000 through a ¼ cent shift in the tax rate from debt service to maintenance & operations, consistent with the planned rehabilitation increases over five years, plus a \$600,000 one-time enhancement from sales tax revenue received in FY18.

The City annually adopts a one-year budget and a five-year capital improvement program (with year one appropriated in the annual budget) through its fiscally constrained long-range forecast. The budget implements strategies, both financial and operational, identified through the strategic and long-range forecast to meet existing challenges and to effectively plan for future needs. Decisions are not based solely on current conditions but on the long-term welfare of the community. The FY19-23 CIP totals \$157.08 million, with \$28.3 million in projects funded in FY19. It is important to understand that only the first year of the CIP is appropriated for funding in the annual budget, while the remaining years are included for planning purposes only and will change from one year to the next, based on the best information available at the time.

A five year forecast has been prepared for each of the major operating funds. The General Fund includes additions to operating expenditures for rehabilitation projects and average annual increases in operating expenditures of 2.1% due to growth in personnel and operating costs. Assumed growth in sales tax is conservative in order to reduce dependence on a volatile revenue stream. Based on FMPS direction, sales tax growth is forecast flat for FY19, 2.6% in FY20 and at 3% in FY21-FY23. Sales tax revenues make up 41.2% of the total revenues in the General Fund while property taxes represent 32.5%.

The Debt Service Fund maintains the fund balance policy requirement throughout the forecast. The City is able to support nearly \$96.6 million in new debt for projects in the five-year CIP due to declining debt service requirements for existing debt obligations and an assumed 3% growth in tax revenues.

With significant growth in the utility system due to annexation, the five year CIP shows utility and surface water projects totaling \$49.6 million over the five-year period. Capital investment to meet the Fort Bend Subsidence District mandate of 60% groundwater reduction by 2025 is likely to require future rate increases. The Integrated Water Resources Master Plan (IWRP) is expected to be completed in the spring of 2019, and will determine the cost of options to meet the mandated reduction. Since the City will be issuing utility revenue bonds for expansion of the surface water treatment plant, revenue streams must be built up in advance of the debt issuance to meet the bond coverage ratios.

The forecast outcome is highly dependent on several key assumptions that are based on information available at the time of preparation. A change in one or more of these assumptions can significantly alter the outcome of the forecast, which could have a tremendous impact on the City's operations and maintenance tax rate and capacity for future needs. Based on these assumptions, the forecast shows that the City will be able to accomplish the following:

- Maintain approximately 3.0% growth from property tax revenues over the forecast period
- Fund existing services at current service levels in all funds
- Maintain sales tax to fund operations below 45%
- Meet current and future debt service needs

- Fund the recommended Five-Year CIP and resulting operating expenditures
- Continued Economic Development and Tourism efforts through reserves for opportunities

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

Sugar Land continues to assert itself as a premier regional entertainment, cultural and tourist destination – and an economic powerhouse within the Houston region. In its first two years of operations, the Smart Financial Centre at Sugar Land has exceeded attendance and net new sales tax revenue projections. The one of a kind, state of the art venue is consistently recognized as a top ten venue in the world in terms of revenue for facilities of its size.

The City completed an advance refunding of \$98 million in outstanding Surface Water bonds in December 2017, resulting in over \$600,000 in annual debt service savings. The City's AAA bond rating was affirmed by both Fitch Ratings and Standard & Poor's, citing the City's financial stability and planning efforts as key components in support of the AAA rating. The City is among an elite group of cities in Texas to carry the AAA rating from two rating agencies. In addition, the rating agencies have both assigned their AA+ rating to the City's utility revenue bonds.

Economic development plays a fundamental role in bringing in new businesses and retaining existing business, as well as attracting new visitors. These activities have a positive impact on both the property tax base and indirect sales taxes associated with them, and this cycle of investment and reinvestment is important to keeping the property taxes low in the City. This year the Economic Development Department has been able to secure a value-added property tax abatement for Accredo Packaging, which promises to infuse the City with additional direct and indirect revenue, and provides a guarantee that Accredo Packaging remains in the City as a primary employer.

Another area where economic development is able to benefit the community is by working with existing businesses in the area to revitalize areas that attract visitors, who in turn spend more money in the City. Sugar Land Town Square opened fifteen years ago and has served as the mixed-use urban center for the community since 2003. The focal point of the development is a 1.1-acre plaza. Last year, the plaza hosted over 150,000 attendees at over 270 events. In an effort to boost traffic to existing retailers by drawing people to Town Square, the City partnered with the developer and property owner's association to upgrade the plaza with new turf, decking, shade structures and seating areas. Additional reinvestment in the City's destination centers can also be seen with the City's partnership with the management of First Colony Mall, which in the aggregate is the largest source of sales tax revenue in the City. Mall management made improvements to their outdoor Lifestyle Center in order to compete in a constantly changing retail market. The new space has artificial turf accompanied by shade awnings, oversized lawn games, a large digital screen and other amenities to enhance the shopping experience. By supporting reinvestment in key retail areas, the City is helping them adapt and stay relevant in today's changing marketplace, thereby ensuring healthy sales tax revenues that support City services and lower the overall tax burden for residents.

Significant accomplishments for FY 2018 include:

- Implementation of annexation of Greatwood & New Territory
- Redistricting in preparation for the Spring 2019 City Council elections
- Review and update of the Financial Management Policy Statements
- Adoption of the Future Land Use Plan update
- Implementation of Customer Service Program and 311 Contact Center
- Opening of the Sugar Land Heritage Museum and Visitor Center

- Updated the Parks, Recreation and Open Space Master Plan
- Established an independent Ethics Review Board
- Completed numerous drainage studies as a result of Hurricane Harvey

## **FINANCIAL MANAGEMENT AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sugar Land for its Comprehensive Annual Financial Report for the year ended September 30, 2017. This was the 34<sup>th</sup> year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. It is the City's belief that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the period October 1, 2017 - September 30, 2018. This was the 22<sup>nd</sup> consecutive year the government received the distinguished budget award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

## **ACKNOWLEDGEMENTS**

The preparation of this report could not have been accomplished without the efforts and dedicated services of the Finance Department staff. Appreciation is expressed to employees throughout the City for their commitment to our financial policies and procedures. We also thank the Mayor and members of the City Council for their continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Allen Bogard, City Manager



**CITY OF SUGAR LAND, TEXAS**  
**PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2018**

<b>City Officials</b>	<b>Elective Position</b>	<b>Term Expires</b>
Joe R. Zimmerman	Mayor	2020
Himesh Gandhi	Council Member - At Large Position One	2020
Jennifer J. Lane	Council Member - At Large Position Two	2020
Steve R. Porter	Council Member - District One	2019
Bridget R. Yeung	Council Member - District Two	2019
Amy L. Mitchell	Council Member - District Three	2019
Carol K. McCutcheon	Council Member - District Four	2019

<b>Key Staff</b>	<b>Position</b>
Allen Bogard	City Manager
Steve Griffith	First Assistant City Manager
Doug Brinkley	Assistant City Manager
Jennifer May	Assistant City Manager
Chris Steubing	Assistant City Manager
Jennifer Brown	Director of Finance
Alka B. Shah	Controller
Glenda A. Gundermann	City Secretary
Meredith Riede	City Attorney
Juan J. Adame	Fire Chief
Eric C. Robins	Chief of Police

# CITY OF SUGAR LAND

## EXECUTIVE TEAM ORGANIZATIONAL CHART AS OF SEPTEMBER 30, 2018

### City of Sugar Land Organizational Chart



City Manager Allen Bogard

- Public Affairs
- Special Projects



Steve Griffith

1st Assistant City Manager

- City Secretary
- Legal
- Public Safety Dispatch
- Sugar Land Regional Airport



Doug Brinkley

Assistant City Manager

- Fire
- Police



Jennifer May

Assistant City Manager

- Economic Development
- Finance
- Human Resources
- Intergovernmental Relations
- Parks and Recreation
- Performance & Accountability
- Planning



Chris Steubing

Assistant City Manager

- Engineering
- Environmental & Neighborhood Services
- Information Technology
- Permits & Inspections
- Public Works



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Sugar Land  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Merrill*

Executive Director/CEO

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## **FINANCIAL SECTION**



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## REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and Members  
of the City Council  
City of Sugar Land, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sugar Land, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and Members  
of the City Council  
City of Sugar Land, Texas

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As discussed in Note 1 and Note 16 to the financial statements, the City adopted the provisions of Government Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended September 30, 2018. Our opinions are not modified with respect to this matter.

As described in Note 1 and 16 to the financial statements, on December 12, 2017, the City completed the annexation of the Greatwood and New Territory communities with the dissolution of nine Municipal Utility Districts (MUDs). The annexation was accounted for as a government merger in accordance with GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 18, budgetary comparison information, pension system supplementary information, and other post-employment benefit supplementary information on pages 91 to 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The other supplementary information, as described in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as described in the accompanying table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the

To the Honorable Mayor and Members  
of the City Council  
City of Sugar Land, Texas


auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the other supplementary information, as described in the accompanying table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

  
Houston, Texas  
February 18, 2019

## **CITY OF SUGAR LAND, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the City of Sugar Land offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$711.9 million (*net position*). Of this amount, \$71.3 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$67.7 million, a decrease of \$10 million over the prior year. Approximately 50% of this total amount, \$34.0 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- The City's Financial Management Policy requires the City to maintain the General fund's unassigned fund balance equivalent to three months of recurring budgeted operating costs, which is approximately \$22.4million for fiscal year 2018.
- The City's total long-term liabilities increased by \$0.4 million due to the issuance of new debt and the debt recognized related to the Annexation.
- The City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* ("GASB No. 75") and as a result reported a prior period adjustment to decrease net position in the governmental activities by \$2,488,199 and to decrease net position in the business-type activities by \$588,057.
- The City implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB No. 69") as a result of the annexation of nine municipal utility districts located in the Greatwood and New Territory communities, as a result, the City reported a prior period adjustment to increase net position in the governmental activities by \$14,469,315 and to increase net position in the business-type activities by \$25,863,945.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-wide Financial Statements (continued)**

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, administrative services, public safety, public works, parks and recreation, community development, and environmental and neighborhood services. The business-type activities of the City include utility system, including surface water operations, and solid waste operations as well as the operations of a regional airport facility.

The government-wide financial statements include not only the City itself (known as *the primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *discretely presented component units* is reported separately from the financial information presented for the primary government itself. The City's four discretely presented component units consist of the following:

- Sugar Land 4B Corporation (4B Corporation)
- Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (TIRZ 1)
- Sugar Land Reinvestment Zone No. 3 (TIRZ 3)
- Sugar Land Reinvestment Zone No. 4 (TIRZ 4)

The following component unit is a blended component unit, meaning its financial information is included with that of the primary government:

- Sugar Land Development Corporation

The government-wide financial statements can be found on pages 21 through 23 of this report.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Fund Financial Statements (continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison *between governmental funds and governmental activities*.

The City maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, and Capital Projects, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the comprehensive annual financial report on pages 101 through 106. Four funds relating to debt reduction have been combined into one fund.

The basic governmental fund financial statements can be found on pages 24 through 27 of this report.

**Proprietary Funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility system, surface water plant, and solid waste operations as well as the operations of a regional airport facility. The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The Employee Benefits Fund, Fleet Replacement Fund and High-Technology Replacement Fund are the City's internal service funds. Their purpose is to provide for the accumulation of money for employee benefits, as well as, vehicle and equipment replacement used in City operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility system, including the surface water treatment plant, and solid waste operations as well as the operations of the regional airport facility. The utility system and airport funds are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic proprietary fund financial statements can be found on pages 28 through 31 of this report.

**Combining Component Unit Financial Statements**

The City's four discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information presented in the form of combining statements immediately following the fund financial statements of the primary government.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 through 87.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. The City adopts an annual appropriated budget for its general, debt service and certain special revenue funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 91 through 96 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$711.9 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 86% or \$611.3 million, reflects its net investment in capital assets (e.g., land, buildings, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending as of September 30, 2018. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**COMPARATIVE SCHEDULE OF NET POSITION**  
*September 30, 2018 and 2017*

<i>Amounts in (000's)</i>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Current and other assets	\$ 87,940	\$ 100,715	\$ 85,421	\$ 96,879	\$ 173,361	\$ 197,594
Capital assets	633,460	591,948	443,105	411,812	1,076,565	1,003,760
<b>Total Assets</b>	<b>721,400</b>	<b>692,663</b>	<b>528,526</b>	<b>508,691</b>	<b>1,249,926</b>	<b>1,201,354</b>
<b>Total Deferred Outflows of Resources</b>	<b>10,127</b>	<b>16,603</b>	<b>3,864</b>	<b>2,659</b>	<b>13,991</b>	<b>19,262</b>
Other liabilities	11,187	16,163	8,652	10,071	19,839	26,234
Long-term liabilities	312,441	306,896	212,262	218,186	524,703	525,082
<b>Total Liabilities</b>	<b>323,628</b>	<b>323,059</b>	<b>220,914</b>	<b>228,257</b>	<b>544,542</b>	<b>551,316</b>
<b>Total Deferred Inflows of Resources</b>	<b>6,596</b>	<b>1,673</b>	<b>915</b>	<b>225</b>	<b>7,511</b>	<b>1,898</b>
<b>Net Position</b>						
Net investment in capital assets	358,639	340,298	252,642	228,369	611,281	568,667
Restricted	19,535	21,152	9,770	9,116	29,305	30,268
Unrestricted	23,129	23,084	48,149	45,383	71,278	68,467
<b>Total Net Position</b>	<b>\$ 401,303</b>	<b>\$ 384,534</b>	<b>\$ 310,561</b>	<b>\$ 282,868</b>	<b>\$ 711,864</b>	<b>\$ 667,402</b>

An additional portion of the City's net position, 4.1% or \$29.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of 10.0% or \$71.3 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.



**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-wide Financial Analysis (continued)**

**COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION**  
**For the Years Ended September 30, 2018 and 2017**

<b>Amounts in (000's)</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 19,157	\$ 18,057	\$ 73,954	\$ 62,474	\$ 93,111	\$ 80,531
Operating grants and contributions	2,215	1,825	195	50	2,410	1,875
Capital grants and contributions	15,379	29,997	11,539	6,675	26,918	36,672
<b>General revenues:</b>						
Property taxes	44,092	39,052			44,092	39,052
Sales tax	47,038	41,330			47,038	41,330
Franchise and other taxes	9,197	8,535			9,197	8,535
Other	3,751	3,474	1,122	644	4,873	4,118
<b>Total Revenues</b>	<b>140,829</b>	<b>142,270</b>	<b>86,810</b>	<b>69,843</b>	<b>227,640</b>	<b>212,113</b>
<b>Expenses</b>						
General government	19,828	23,395			19,828	23,395
Administrative services	5,877	5,514			5,877	5,514
Public safety - Police	26,692	26,138			26,692	26,138
Public safety - Fire	14,517	14,197			14,517	14,197
Public safety - EMS	2,110	1,803			2,110	1,803
Public works	37,700	27,075			37,700	27,075
Parks and recreation	10,892	7,870			10,892	7,870
Community development	5,571	5,564			5,571	5,564
Environmental and neighborhood services	6,138	6,065			6,138	6,065
Interest on long-term debt	9,810	9,393			9,810	9,393
Utility			39,997	29,342	39,997	29,342
Regional Airport			16,240	14,346	16,240	14,346
Surface Water			19,858	16,812	19,858	16,812
Solid Waste Management			7,980	6,197	7,980	6,197
<b>Total Expenses</b>	<b>139,135</b>	<b>127,014</b>	<b>84,074</b>	<b>66,697</b>	<b>223,210</b>	<b>193,711</b>
Increase (decrease) in net position before transfers and special item	1,694	15,256	2,736	3,146	4,430	18,402
<b>Transfers</b>	<b>3,094</b>	<b>2,243</b>	<b>(3,094)</b>	<b>(2,243)</b>		
<b>Special item</b>			<b>(2,410)</b>		<b>(2,410)</b>	
Increase (decrease) in net position	4,788	17,499	(2,768)	903	2,020	18,402
<b>Net position - beginning</b>	<b>384,534</b>	<b>367,035</b>	<b>282,868</b>	<b>281,965</b>	<b>667,402</b>	<b>649,000</b>
Prior period adjustment - see Note 16	11,981		30,461		42,442	
<b>Net position - ending</b>	<b>\$ 401,303</b>	<b>\$ 384,534</b>	<b>\$ 310,561</b>	<b>\$ 282,868</b>	<b>\$ 711,864</b>	<b>\$ 667,402</b>

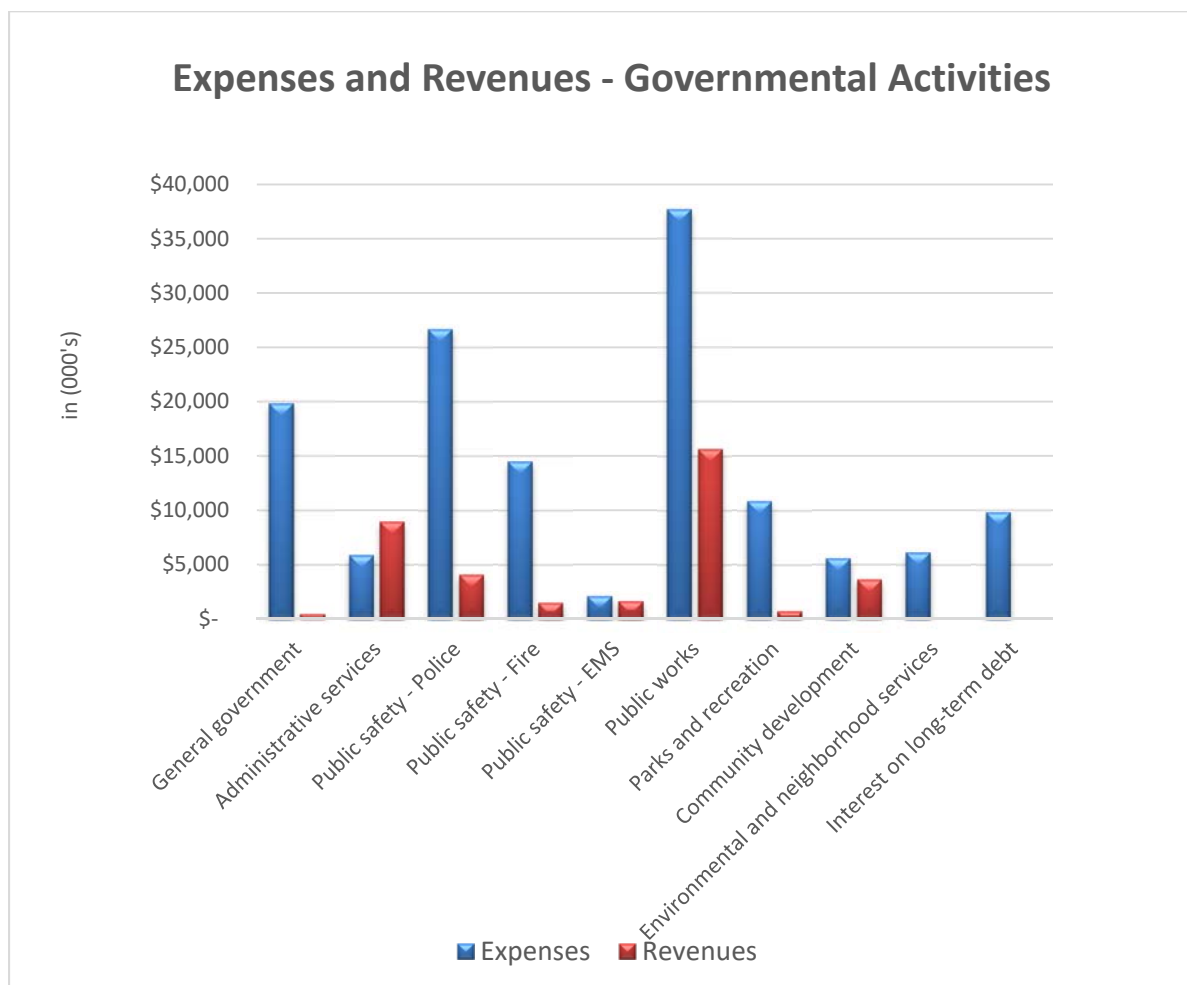
The City's net position increased by approximately \$2.0 million, which was the result primarily of an increase in governmental activities net position. The increase in the net position of governmental activities was the result of capital contributions of \$15.4 million and an increase in various sources of revenues, including property tax and operating grants and contributions. The decrease in the net position of business-type activities was primarily attributed to a contribution of cash balances in the operating funds by the governing bodies of certain dissolved Municipal Utility Districts prior to the dissolution process reported as a special item (see note 17 to the basic financial statements).

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities**

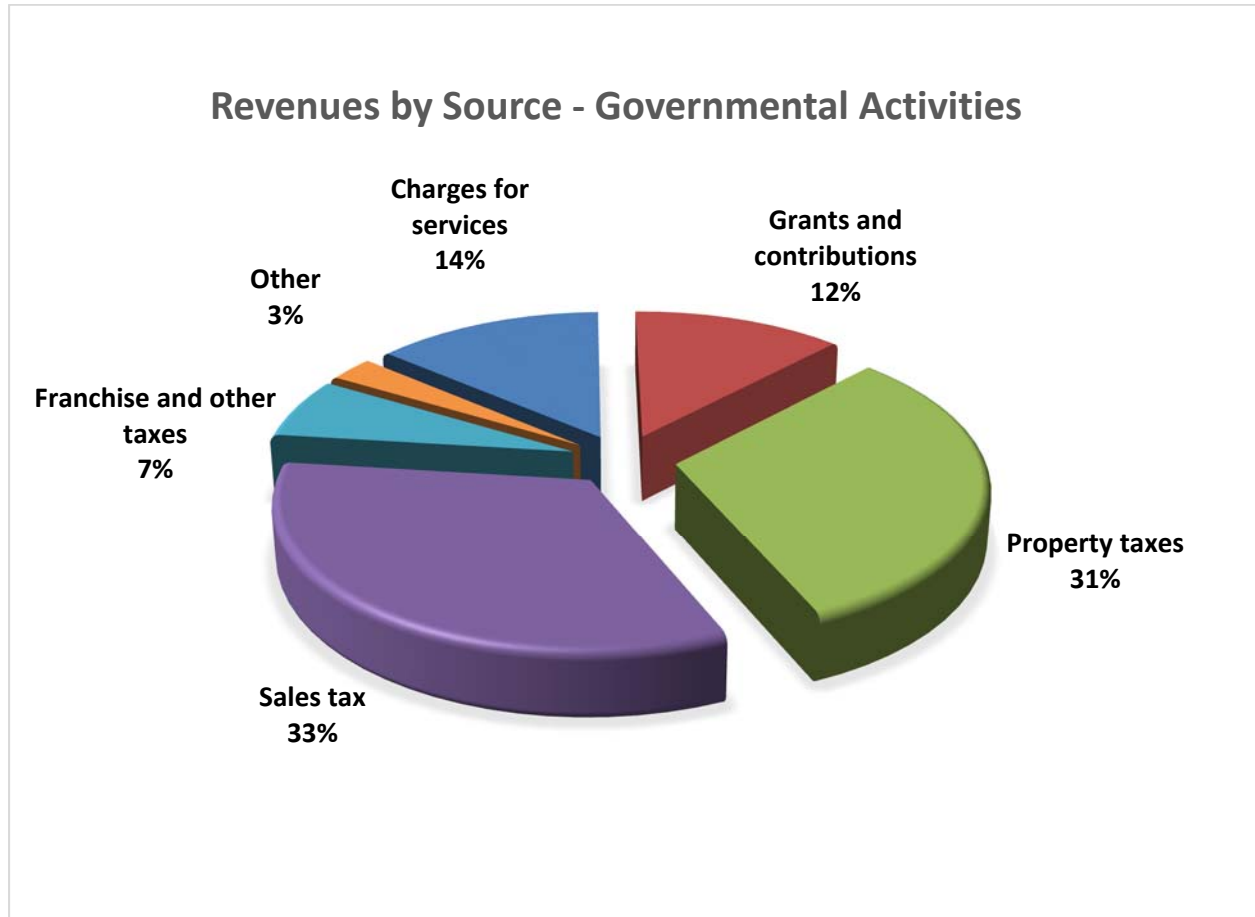
Governmental activities increased the City's net position by \$4.8 million. Key elements of this increase are as follows:

- An increase in property tax revenues by \$5.0 million is due to taxes levied by Municipal Utility Districts for 2017 prior to annexation and dissolution by the City.
- Capital grants and contributions of \$15 million includes: \$9.2 million developer assets in Riverstone and Imperial subdivisions, \$1.3 million from Fort Bend County for South Hwy 6 (SH6) Improvement project, \$2.5 million from Texas Department of Transportation for SH6 Improvement project, \$152K from City of Stafford for Sugar Creek Drainage Improvement project and \$230.5K from ACE Sugar Land LLC for Smart Financial Centre Capital Repairs Fund.



**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities (continued)**



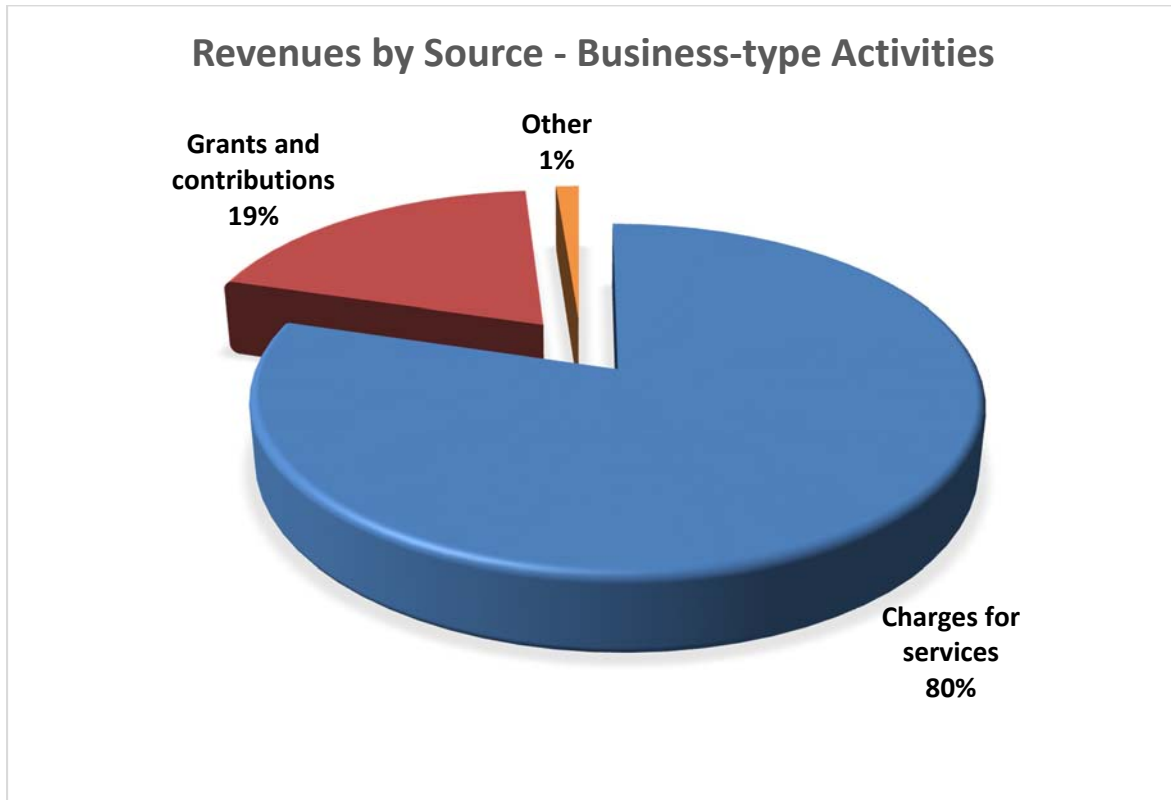
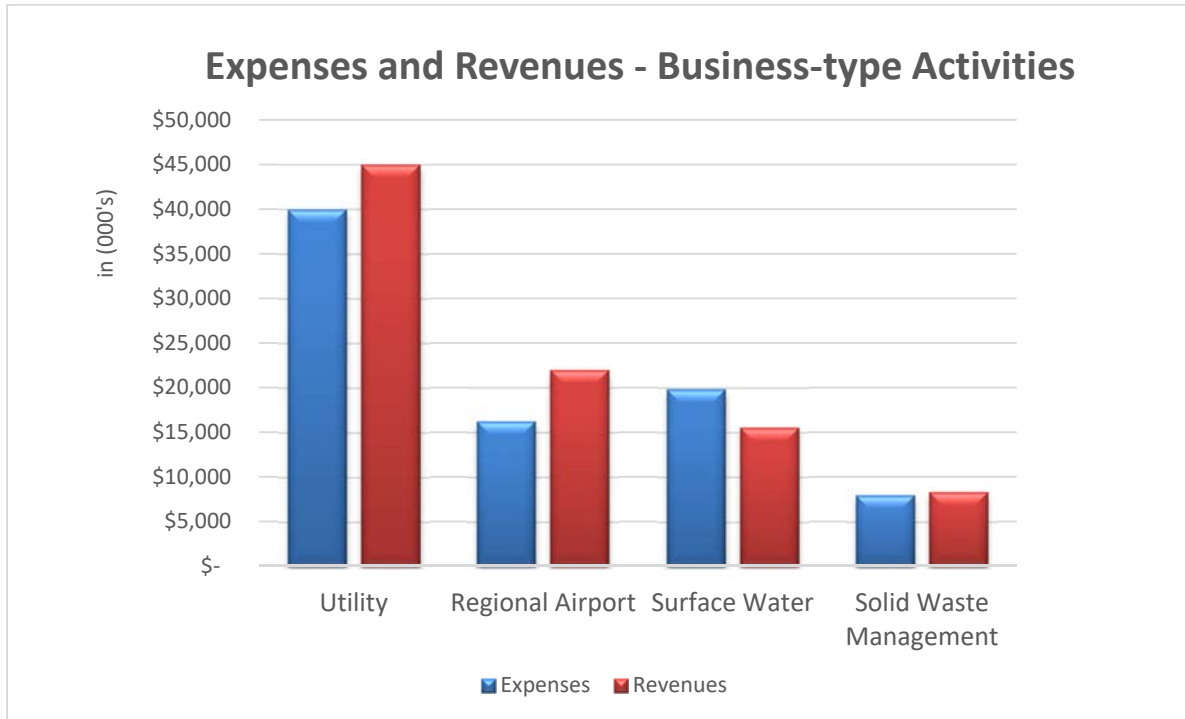
**Business-type Activities**

Business-type activities increased the City's net position by \$2.8 million. Key elements of this increase are as follows:

The net position of Airport Fund increased by \$5.9 million mainly due to capital contribution of \$6.4 million from the Texas Department of Transportation for the Parallel Taxiway Relocation project. The increase in net position of Airport Fund is offset by the decrease in net position of Surface Water Fund by \$4 million respectively.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Business-type Activities (continued)**



**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Financial Analysis of the City's Funds**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements, in particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$67.7 million, a decrease of \$10 million from the prior year. Approximately 50% of the combined ending fund balances, \$34.0 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

The most significant change in fund balance was in the Capital Projects Fund with decreases of \$14.4 million. This decrease is primarily due to capital outlay related to construction projects including various improvements to street, parks and facilities.

Fund balance in the General Fund increased from prior year, by \$6.0 million, resulting in an ending fund balance of \$35.1 million at year end. The unassigned fund balance of \$34.0 million represents 39% of total fund expenditures.

The Debt Service Fund has a total fund balance of \$6.3 million at year end, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was \$0.7 million.

**Proprietary Funds** - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Utility Fund has unrestricted net position at fiscal year-end of \$28.1 million. The Surface Water Fund has approximately \$14.8 million in unrestricted net position, and the Airport Fund's unrestricted net position amounted to approximately \$3.4 million. Other factors concerning the finances of the City's Proprietary Funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

Budget estimates for operating revenues between the original and final amended budget changed by \$2.3 million due to the reclassification of transfers into sales tax.

During the year there were increases between the original and final amended budget expenditure appropriations of \$0.7 million due to appropriations of carry-over from the prior year.

There were no significant differences between final amended expenditures and actual expenditures in fiscal year 2018. The review of the final amended budget versus the actual for the general fund, reflected a positive budget variance in the amount of \$3.9 million.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the current fiscal year 2018, the City's governmental activities and business-type activities had invested \$633.5 million and \$443.1 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$41.5 million or 7.0% over the end of last fiscal year for governmental activities and a change of \$31.3 million or 7.6% for business-type activities.

<i>Amounts in (000's)</i>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land and intangibles	\$ 107,233	\$ 89,682	\$ 26,350	\$ 25,736	\$ 133,583	\$ 115,419
Construction in progress	32,045	60,241	43,868	48,912	75,913	109,153
Infrastructure	268,853	219,695	352,079	316,184	620,932	535,879
Buildings and improvements	202,108	199,103	16,676	16,510	218,784	215,613
Equipment and furniture	23,222	23,227	4,131	4,470	27,353	27,696
<b>Total Capital Assets</b>	<b>\$ 633,460</b>	<b>\$ 591,948</b>	<b>\$ 443,105</b>	<b>\$ 411,812</b>	<b>\$ 1,076,565</b>	<b>\$ 1,003,759</b>

The overall increase in capital assets for governmental activities and for the business-type activities is due to the assumption of capital assets as a result of the annexation of nine municipal utility districts.

Additional information on the City's capital assets can be found in Note 4 to the financial statements.

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonds, certificates of obligation, and other obligations outstanding of \$524.2 million. Of this amount, \$113.2 million was general obligation debt (including \$1.8 million of dissolved utility district bonds), and \$152.2 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Certificates of obligation and tax notes account for \$204.6 million and \$3.2 million, respectively. The City's net pension liability as of September 30, 2018 is \$21.2 million.

<i>Amounts in (000's)</i>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
General obligation bonds	\$ 106,155	\$ 83,880	\$ 7,030	\$ 7,030	\$ 113,185	\$ 90,910
Revenue bonds	47,020	48,865	105,220	105,220	152,240	154,085
Certificates of obligation	111,255	118,058	93,322	93,322	204,577	211,380
Tax note	3,247	3,193			3,247	3,193
Premiums or discounts	17,507	17,513	8,229	8,229	25,736	25,742
Net pension liability	18,614	29,961	2,582	4,027	21,196	33,988
Other obligations	3,664	5,427	375	358	4,039	5,785
	<b>\$ 307,462</b>	<b>\$ 306,896</b>	<b>\$ 216,759</b>	<b>\$ 218,186</b>	<b>\$ 524,221</b>	<b>\$ 525,082</b>

The net increase in debt for the year was \$0.9 million or 0.2%. This was primarily due to the issuance of new debt and the assumption of long-term liabilities as a result of the annexation of nine municipal utility districts.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Capital Assets and Debt Administration (continued)**

**Long-Term Debt (continued)**

The most recent ratings on debt issues are as follows:

	<b>Standard and Poor's</b>	<b>Fitch Investors Service</b>
General obligation bonds	AAA	AAA
Revenue bonds	AA+	AA+

Both the Sugar Land Development Corporation (SLDC) and the Sugar Land 4B (SL4B) Corporation, component units of the City, have issued debt. SLDC bonds are rated "A1" and "A+" from Moody's and Standard & Poor's, respectively. SL4B bonds are rated "Aa3" and "A+" from Moody's and Standard & Poor's, respectively.

Additional information on the City's long-term debt can be found in Note 5 to the financial statements.

**Imperial Redevelopment Agreement**

On May 3, 2016, the City Council approved the third amendment to the Imperial Redevelopment Agreement. This agreement defines the conditions for the Imperial Redevelopment District's participation in the extension of a roadway and bridge from US 90A at University Boulevard N to the terminus of Stadium Drive, including a bridge across Oyster Creek and the Union Pacific Railroad Spur at Nalco Champion. The Imperial Redevelopment District (IRD) issued Unlimited Tax Road Bonds Series 2016 of \$12,135,000 and Tax Increment Contract Revenue Bonds Series 2016 of \$4,980,000 to fund their share of the roadway project and bridge. Funding in the amount of \$10,650,000, representing the District's share of the roadway and bridge, was received by the City on October 14, 2016. On August 16, 2016, the City approved a Tri-Party Funding Agreement between the City, Tax Increment Reinvestment Zone #3 (TIRZ #3) and the IRD to transfer the Tax Increments in the Tax Increment Fund, less certain deductions, to the IRD to support repayment of the Tax Increment Contract Revenue Bonds to be issued to finance certain components of the TIRZ plan. The City was responsible for a portion of the roadway, the UPRR crossing and the intersection and signal at US90A. Fort Bend County contributed \$1.3 million toward the roadway project as well.

**Economic Factors and Next Year's Budgets and Rates**

The City had yet another successful year financially- ending FY18 in a positive financial position and with continued recognition as a state and national leader in financial stewardship. Highlights of FY18 include incorporation of the budgetary reductions driven by sales tax declines in late 2017, as well as a successful annexation of historic proportions.

The FY2019 adopted budget addresses the City's top priorities, which include drainage, Fire and EMS needs, City facilities, and modernizing systems to enhance efficiency & accountability. City services for residents and visitors to Sugar Land continue to remain both robust and innovatively constrained. The adopted budget ensures continued financial strength and resiliency by meeting all fund balance requirements, including the structural balance of the General Fund.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS** *(continued)*

One of the major accomplishments for the City is the recently completed annexation of nine Municipal Utility Districts (MUDs) located in the Greatwood and New Territory communities, which is among the largest and most successful in state history. The annexation added approximately 30,000 new residents to the City along with utility assets and infrastructure. The City built its annexation planning around three guiding principles. These principles included providing the same level of service to the newly annexed areas, ensuring there was no decrease in existing services as a result of annexation, and that the annexation would generate sufficient revenues to pay for services within the areas so that existing taxpayers did not experience any increased costs. These annexed districts have now been fully integrated into the City's budget, with property owners in these areas paying City property taxes in FY19 to support services in these areas and the significant positive financial benefits providing additional capacity for capital projects.

Over the last few years, the uncertainty in the regional economy has caused the City to revisit its financial strategy to ensure that it is strong and resilient. This introspective review and evaluation has led to the City's development of resiliency initiatives and its focus on innovative constraint. These ongoing resiliency initiatives and the focus on innovative constraint, formalized in the Financial Management Policy Statements and then incorporated into financial plans, are allowing the City to exceed its financial expectations in the current fiscal year and have positioned the City for success in the future. These initiatives include a conservative approach to sales tax forecasting, implementing and maintaining belt-tightening cuts to recurring expenditures, and ensuring recurring rehabilitation is funded from more diverse and reliable revenue streams and then supplementing with one-time funding if revenues exceed budgeted levels. To ensure the most efficient use of resources, the City has evaluated innovations in Fire and EMS staffing and training and several improvements are funded in the budget.

It's because of the resiliency initiatives that the City has undertaken that have allowed for the consistent delivery of high quality services, with one of the lowest tax rates for cities over 60,000 in population, as Fiscal Year 2018 has been a challenging year for the City. The year began with the continued downturn in the oil and gas industry, as well as the lingering impacts associated with the devastation inflicted by Hurricane Harvey, which imposed additional stress on the greater Houston regional economy. As the year progressed, the City began to see a return to normalcy in the economy, which is reflected in the increased collections the City has seen in its sales tax revenue. The regional economy is highly influenced by the oil and gas industry, which has begun to rebound in the last few months. While the strength of the recovery is yet to be determined, there are positive signs that momentum is being gained. Despite these challenging swings in the economy, the City has been able to maintain its core service levels and complete major projects in this fiscal year.

With that said, in years with high volatility, the importance of resiliency initiatives becomes more apparent, as they allow the organization to withstand and maintain strength, despite challenging economic conditions. The resiliency initiatives that began in FY18 were designed to further strengthen the financial position of the City by lessening the impact of economic swings associated with sales tax - a major revenue stream for the City, but one that is highly volatile and difficult to forecast. These changes include conservative sales tax estimates, based on actual recurring collections, as well as predefined growth assumptions. The methodology has worked well this year. In fact, sales tax has shown signs of a return to reasonable growth, which are consistent with the new methodology. Through the fourth quarter, which ended in September, sales tax continued to outperform recurring estimates and has shown stability through the end of the fiscal year. Total collections ended the year \$3.7 million higher than the original



**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS** *(continued)*

budget and \$0.84 million higher than the revised budget, with a total of \$2.4 million in one-time collections received. Recurring sales tax for in FY18 ended at \$49.78 million, which is 3.1% higher than the prior year. Since revenue estimates become the base of the next fiscal year's budget, it is critical that they not be over-estimated; any additional revenue that might come in will be set aside for one-time expenditures in the future.

The FY19 budget development process focused on the fundamental assumptions that drive the budget. Traditionally, Council meets in the spring with staff and management to identify priorities for the upcoming year's budget and to receive an update on the City's financial condition. This year, a series of workshops was held to review changes to the Financial Management Policy Statements (FMPS) as part of the biennial review and update.

The Financial Management Policy Statements is the City Council's guiding document relative to the management of the City's finances. Through this year's review and revision process, City Council formalized a conservative approach to forecasting sales tax, and affirmed policy direction on budgeting property tax revenues at the effective tax rate plus 3%, as economic conditions permit. The effective tax rate plus 3% funds the base budget and a merit pool of 3%, consistent with Council's previous direction on compensation for employees, and permits for meaningful merit to employees based on performance.

One of the major changes included as part of the revisions to the Financial Management Policy Statements was the addition of language that clearly defines the methodology for managing sales tax growth, particularly in the long-range forecast. Sales tax is now divided into two components: recurring and one-time revenue. Recurring revenue is an important component of balancing the budget, because recurring revenue streams should cover recurring expenditures. The FY18 projected sales tax is \$49.8 million in recurring collections, of which \$37.35 million supports the general operating budget. No recurring increases are built into the budget; and one-time revenues received in FY18 are available to support one-time needs in FY19. This change in policy was important because sales tax is one of the most volatile revenue streams and is highly sensitive to changes in the economy. Sales tax also comprises a significant portion of the total revenues in the general fund and supports 43% of the expenditures. This is one of the primary reasons that it is important to be conservative when preparing revenue estimates, particularly with sales tax.

Staff reviewed the City's financial position with City Council during a workshop in June and highlighted the organization's priorities for the coming year, which include Fire and EMS needs, replacement of the Enterprise Resource Planning (ERP) system, facilities, and drainage projects. In the General Fund, other than base adjustments, which are primarily limited to contractual increases, there are only a small number of additions to the budget, and there are no additional programs or personnel included. Out of \$1.6 million in recurring budget reductions in fiscal year 2018, the fiscal year 2019 budget reinstates funding of only about \$230,000, as the other reductions have been absorbed and service levels adjusted.

The operating budget reflects the City's focus on maintaining financial resiliency, particularly with infrastructure rehabilitation, and reinvestment in infrastructure. Funding for infrastructure - such as streets, sidewalks, parks and municipal facilities, is a critical part of the operating budget, as it ensures that the City's assets are maintained properly. The City is continuing to budget recurring rehabilitation in the General Fund using a more diverse set of revenue streams as a funding source, rather than relying on sales tax to fund through the capital improvement program. The FY19 budget increases recurring

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS** *(continued)*

rehabilitation funding by \$300,000 through a ¼ cent shift in the tax rate from debt service to maintenance & operations, consistent with the planned rehabilitation increases over five years, plus a \$600,000 one-time enhancement in FY19 from sales tax revenue received in FY18.

Consistent with the FMPS, the budget was developed on a revenue stream from the effective tax rate plus 3%. The adopted tax rate is \$0.31762 per \$100 of value. There are no changes to the homestead exemption, which will remain at 10% for 2018, along with the optional exemption of \$70,000 for over 65 and disabled persons.

Based on the priorities addressed identified and discussed above, the FY19 adopted budget totals \$247 million. Of the total, \$219 million is for operations and \$28 million is for capital projects.

The City's championship workforce understands that public service is still a noble calling, and our employees' commitment to making life sweeter and more refined for businesses, residents and visitors, is simply known as "The Sugar Land Way". As a personnel driven public safety and service provider, a main driver in the City's budget is employee compensation and benefits approximately 75% of General Fund expenditures are directly tied to employee compensation. The City recognizes pay for performance as a guiding principle in the City Council adopted Compensation Philosophy, and a merit pool equal to 3% of budgeted salaries is included in the adopted budget. This funding allows management to develop a merit matrix that provides an incentive for high and outstanding performance from employees only slightly greater than the 2018 CPI increase of 2.6%. The City's TMRS contribution rate for 2019 is 14.93%, a decline from the 2018 contribution rate of 15.27%, and resulting in overall savings to the City. The City also has a competitive health benefits program available for employees and their dependents. Based on 2018 claim trends, the City anticipates an overall 7% increase is needed to both the City's and employees' insurance contributions for 2019.

In the Utility Fund there are no changes for water, wastewater, or surface water rates in FY19. This is consistent with the five-year forecast that was shared with City Council for the last several years. In fact, the City has not adjusted water or wastewater rates since 2011, minimizing the impact to customers while the surface water rates were being implemented. The budget consolidates the Water Utility Fund and the Surface Water Fund into a combined Utility Enterprise Fund that covers the operations and maintenance of all water and wastewater systems, including the Surface Water Treatment Plant and cost related to the Groundwater Reduction Plan. It's important to note that the Surface Water Treatment Plant expansion to meet the 60% groundwater reduction mandate is not included in the proposed CIP or the five year forecast. The plant expansion and design will be driven by the Integrated Water Resource Master Plan (IWRP) that is scheduled to be completed in the fall. After the results and analysis of this plan, changes to the rate structure will likely be necessary to fund the expansion of this unfunded mandate. Solid Waste includes a 2.5% increase to residential rates, based on the City's contracts with Republic Services and Best Trash. Solid Waste rates will increase from \$18.45 to \$18.91 per month in January 2019, with no changes to service levels.

The FMPS contains guidance on evaluating user fees for an annual CPI adjustment and for calculation of new fees. In FY19, an increase of 2.6% is incorporated into certain fees, based on changes in the CPI between 2017 and 2018. Fee adjustments are effective January 1, 2019. Additionally, the City is working toward setting parks fees to ensure that General Fund dollars are not supporting non-resident use of City

## **CITY OF SUGAR LAND, TEXAS**

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)***

facilities and recreational programs, with the first round of changes included in the proposed budget and fee ordinance and more to follow mid-year after completing a process of stakeholder engagement.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City of Sugar Land's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Alka B. Shah, Controller, City Hall, 2700 Town Center Boulevard North, Sugar Land, TX 77479, telephone (281) 275-2745 or for general City information, visit the City's website at [www.sugarlandtx.gov](http://www.sugarlandtx.gov).

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF NET POSITION**

September 30, 2018

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 13,518,185	\$ 6,948,706	\$ 20,466,891	\$ 5,624,322
Investments	27,523,679	36,930,461	64,454,140	2,714,862
Accounts receivable, net of allowance for doubtful accounts	15,213,880	5,539,167	20,753,047	1,152,792
Interest receivable	228,870	359,580	588,450	33,925
Internal balances	(7,517,531)	7,517,531		
Due from other governments	4,314,324	60,686	4,375,010	
Inventories	224,954	301,789	526,743	
Prepaid items	81,797	9,116	90,913	5,935
Restricted cash and cash equivalents	15,989,515	16,102,172	32,091,687	1,991,688
Restricted investments	18,362,481	11,651,711	30,014,192	1,489,654
<b>Total current assets</b>	<b>87,940,154</b>	<b>85,420,919</b>	<b>173,361,073</b>	<b>13,013,178</b>
<b>Non-current assets:</b>				
Capital assets not being depreciated	138,900,458	69,728,121	208,628,579	
Capital assets net of depreciation	494,560,001	373,376,814	867,936,815	
<b>Total non-current assets</b>	<b>633,460,459</b>	<b>443,104,935</b>	<b>1,076,565,394</b>	
<b>Total Assets</b>	<b>721,400,613</b>	<b>528,525,854</b>	<b>1,249,926,467</b>	<b>13,013,178</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	1,663,032	2,689,360	4,352,392	87,770
Deferred outflows relating to pension activities	8,144,796	1,129,920	9,274,716	
Deferred outflows relating to OPEB activities	319,637	44,343	363,980	
<b>Total Deferred Outflows of Resources</b>	<b>10,127,465</b>	<b>3,863,623</b>	<b>13,991,088</b>	<b>87,770</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	9,403,336	4,824,802	14,228,138	496,015
Accrued interest	1,641,950	974,345	2,616,295	172,974
Customer deposits	139,528	2,837,822	2,977,350	
Unearned revenue	2,607	14,100	16,707	
<b>Total current liabilities</b>	<b>11,187,421</b>	<b>8,651,069</b>	<b>19,838,490</b>	<b>668,989</b>
<b>Non-current liabilities:</b>				
Due within one year	21,184,822	9,195,000	30,379,822	2,059,598
Due in more than one year	291,256,528	203,067,154	494,323,682	28,126,980
<b>Total non-current liabilities</b>	<b>312,441,350</b>	<b>212,262,154</b>	<b>524,703,504</b>	<b>30,186,578</b>
<b>Total Liabilities</b>	<b>323,628,771</b>	<b>220,913,223</b>	<b>544,541,994</b>	<b>30,855,567</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows relating to pension activities	6,592,465	914,567	7,507,032	
Deferred inflows relating to OPEB activities	3,503	486	3,989	
<b>Total Deferred Inflows of Resources</b>	<b>6,595,968</b>	<b>915,053</b>	<b>7,511,021</b>	
<b>Net Position</b>				
Net investment in capital assets	358,639,283	252,642,346	611,281,629	
Restricted:				
Debt service	7,870,633	9,769,394	17,640,027	3,277,923
Economic development activities	9,608,501		9,608,501	2,363,529
Public safety	269,111		269,111	
Tourism & marketing	1,786,346		1,786,346	
Unrestricted	23,129,465	48,149,461	71,278,926	(23,396,071)
<b>Total Net Position</b>	<b>\$ 401,303,339</b>	<b>\$ 310,561,201</b>	<b>\$ 711,864,540</b>	<b>\$ (17,754,619)</b>

See Notes to the Basic Financial Statements.

## CITY OF SUGAR LAND, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Page 1 of 2

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental Activities:				
General government	\$ 19,825,982	\$ 380,597	\$ 55,866	\$ 36,827
Administrative services	5,877,451	7,532,287	1,431,155	
Public safety - Police	26,691,650	3,942,821	161,809	
Public safety - Fire	14,516,604	1,390,232	124,574	
Public safety - EMS	2,109,566	1,634,675		
Public works	37,700,186	296,048	128,466	15,257,300
Parks and recreation	10,891,960	591,699	65,603	84,517
Community development	5,570,870	3,388,539	247,261	
Environmental and neighborhood services	6,138,127		529	
Interest on long-term debt	9,810,360			
<b>Total governmental activities</b>	<b>139,132,756</b>	<b>19,156,898</b>	<b>2,215,263</b>	<b>15,378,644</b>
Business-type activities:				
Utility	39,996,537	35,868,034		5,083,198
Regional Airport	16,239,202	15,449,972	72,500	6,455,531
Surface Water	19,857,855	14,661,214		
Solid Waste Management	7,980,124	7,974,887	122,938	
<b>Total business-type activities</b>	<b>84,073,718</b>	<b>73,954,107</b>	<b>195,438</b>	<b>11,538,729</b>
<b>Total primary government</b>	<b>\$ 223,206,474</b>	<b>\$ 93,111,005</b>	<b>\$ 2,410,701</b>	<b>\$ 26,917,373</b>
<b>Component Units</b>				
Sugar Land 4B Corporation	\$ 4,229,123	\$	\$ 156,156	\$
Sugar Land Town Square Tax Increment				
Reinvestment Zone No. 1	1,531,653			
Sugar Land Reinvestment Zone No. 3	650,168			
Sugar Land Reinvestment Zone No. 4	50,500			
<b>Total component units</b>	<b>\$ 6,461,444</b>	<b>\$</b>	<b>\$ 156,156</b>	<b>\$</b>

See Notes to the Basic Financial Statements.

## CITY OF SUGAR LAND, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Page 2 of 2

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
Functions/Programs	Governmental Activities	Business-type Activities	Total	Component Units
Primary government				
Governmental Activities:				
General government	\$ (19,352,692)	\$	\$ (19,352,692)	
Administrative services	3,085,991		3,085,991	
Public safety - Police	(22,587,020)		(22,587,020)	
Public safety - Fire	(13,001,798)		(13,001,798)	
Public safety - EMS	(474,891)		(474,891)	
Public works	(22,018,372)		(22,018,372)	
Parks and recreation	(10,150,141)		(10,150,141)	
Community development	(1,935,070)		(1,935,070)	
Environmental and neighborhood services	(6,137,598)		(6,137,598)	
Interest on long-term debt	(9,810,360)		(9,810,360)	
Total governmental activities	(102,381,951)		(102,381,951)	
Business-type activities:				
Utility		954,695	954,695	
Regional Airport		5,738,801	5,738,801	
Surface Water		(5,196,641)	(5,196,641)	
Solid Waste Management		117,701	117,701	
Total business-type activities		1,614,556	1,614,556	
Total primary government	\$ (102,381,951)	\$ 1,614,556	\$ (100,767,395)	
Component Units				
Sugar Land 4B Corporation				\$ (4,072,967)
Sugar Land Town Square Tax Increment				
Reinvestment Zone No. 1				(1,531,653)
Sugar Land Reinvestment Zone No. 3				(650,168)
Sugar Land Reinvestment Zone No. 4				(50,500)
Total component units				(6,305,288)
General revenues:				
Property taxes	44,092,389		44,092,389	2,869,072
Sales tax	47,038,175		47,038,175	6,719,740
Franchise and other taxes	9,196,843		9,196,843	
Investment earnings	1,106,332	1,077,401	2,183,733	177,025
Miscellaneous	2,642,416	44,386	2,686,802	80,000
Transfers	3,093,659	(3,093,659)		
Special item		(2,410,372)	(2,410,372)	
Total general revenues, transfers and special item	107,169,814	(4,382,244)	102,787,570	9,845,837
Change in net position	4,787,863	(2,767,688)	2,020,175	3,540,549
Net position - beginning	384,534,360	282,867,726	667,402,086	(21,295,168)
Prior period adjustment - see Note 16	11,981,116	30,461,163	42,442,279	
Net position - ending	\$ 401,303,339	\$ 310,561,201	\$ 711,864,540	\$ (17,754,619)

See Notes to the Basic Financial Statements.



**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2018**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 8,898,111	\$ 1,016,603	\$ 714,466	\$ 3,488,457	\$ 14,117,637
Investments	23,321,423	5,214,714	740,790	3,477,710	32,754,637
Receivables, net of allowance for uncollectibles	9,085,291	269,893		5,462,116	14,817,300
Interest receivable	107,547	32,447	30,401	37,333	207,728
Due from other governments	82,144		4,096,550	135,630	4,314,324
Inventories	217,019			7,935	224,954
Prepaid items	54,161			7,036	61,197
Restricted cash and cash equivalents			7,703,637	3,780,818	11,484,455
Restricted investments			6,205,276	3,464,781	9,670,057
<b>Total Assets</b>	<b>\$ 41,765,696</b>	<b>\$ 6,533,657</b>	<b>\$ 19,491,120</b>	<b>\$ 19,861,816</b>	<b>\$ 87,652,289</b>
<b>Liabilities</b>					
Accounts payable	\$ 3,870,742	\$ 52	\$ 1,693,414	\$ 1,456,546	\$ 7,020,754
Accrued expenditures	1,287,652			6,720	1,294,372
Customer deposits	139,528				139,528
Due to other funds			6,100,000		6,100,000
Unearned revenue	2,607				2,607
<b>Total Liabilities</b>	<b>5,300,529</b>	<b>52</b>	<b>7,793,414</b>	<b>1,463,266</b>	<b>14,557,261</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	1,400,283	269,893		3,734,822	5,404,998
<b>Total Deferred Inflows of Resources</b>	<b>1,400,283</b>	<b>269,893</b>		<b>3,734,822</b>	<b>5,404,998</b>
<b>Fund Balance</b>					
Nonspendable:					
Inventories	217,019			7,935	224,954
Prepaid items	54,161			7,036	61,197
Restricted:					
Debt service		6,263,712		2,978,978	9,242,690
Capital projects			8,700,056		8,700,056
Economic development activities				9,608,501	9,608,501
Public safety				278,116	278,116
Tourism & marketing				1,786,346	1,786,346
Committed	341,202		2,997,650		3,338,852
Assigned	409,335				409,335
Unassigned	34,043,167			(3,184)	34,039,983
<b>Total Fund Balance</b>	<b>35,064,884</b>	<b>6,263,712</b>	<b>11,697,706</b>	<b>14,663,728</b>	<b>67,690,030</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 41,765,696</b>	<b>\$ 6,533,657</b>	<b>\$ 19,491,120</b>	<b>\$ 19,861,816</b>	<b>\$ 87,652,289</b>

*See Notes to the Basic Financial Statements.*

**CITY OF SUGAR LAND, TEXAS****RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION***September 30, 2018*

Total fund balance, governmental funds \$ 67,690,030

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. The cost of the assets is \$1,008,005,479 and the accumulated depreciation is \$378,724,308. 629,281,171

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 5,404,998

Deferred charge on refunding amortized over the shorter of the life of the refunded or refunding debt, therefore, are not reported in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 1,663,032

Long-term liabilities, including bonds payable, compensated absences, and sales tax payable are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements. Liabilities at year end related to bonds payable, compensated absences, and sales tax payable consists of:

Bonds payable, at maturity	\$ (267,677,426)	
Accrued interest on the bonds	(1,641,950)	
Premium/discount of bonds payable	(17,506,838)	
Compensated absences	(3,195,822)	
Sales tax obligation	(468,060)	
Net pension liability	(18,613,769)	
Net OPEB liability	<u>(4,979,435)</u>	
		(314,083,300)

Deferred outflows and deferred inflows relating to pension activities are amortized over the expected remaining service lives of all employees that are provided with pensions through the pension plan, therefore, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 1,552,331

Deferred outflows and deferred inflows relating to OPEB activities are amortized over the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan, therefore, are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 316,134

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 9,478,943

Net Position of Governmental Activities in the Statement of Net Position \$ 401,303,339

*See Notes to the Basic Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2018*

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
<b>Taxes:</b>					
Property taxes	\$ 22,659,218	\$ 21,265,277	\$	\$	\$ 43,924,495
Sales tax	40,120,678			6,686,780	46,807,458
Franchise and other taxes	6,351,623			2,845,220	9,196,843
Licenses and permits	3,392,020				3,392,020
Fines and forfeitures	1,724,783			2,957,088	4,681,871
Charges for services	9,572,254		231,700		9,803,954
Investment earnings	351,270	104,509	322,886	270,881	1,049,546
Intergovernmental	631,101	3,651,210	2,641,567	1,545,535	8,469,413
Other	771,951	1,601,308	756,635	612,773	3,742,667
<b>Total Revenues</b>	<b>85,574,898</b>	<b>26,622,304</b>	<b>3,952,788</b>	<b>14,918,277</b>	<b>131,068,267</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government	16,286,471			2,542,212	18,828,683
Administrative services	4,325,775	1,647,389	212,500	92,159	6,277,823
Public safety - Police	23,929,656		25	1,952,131	25,881,812
Public safety - Fire	13,767,947		106,806		13,874,753
Public safety - EMS	2,014,075		2,736		2,016,811
Public works	10,747,689		6,956,479		17,704,168
Parks and recreation	4,718,182		1,241,944		5,960,126
Community development	5,269,134				5,269,134
Environmental and neighborhood services	5,143,190				5,143,190
<b>Debt Service:</b>					
Principal		19,498,344		1,845,000	21,343,344
Interest and other charges		8,794,998	20,575	2,307,046	11,122,619
<b>Capital Outlay</b>			10,723,460	166,946	10,890,406
<b>Total Expenditures</b>	<b>86,202,119</b>	<b>29,940,731</b>	<b>19,264,525</b>	<b>8,905,494</b>	<b>144,312,869</b>
Excess (deficiency) of revenues over expenditures	<u>(627,221)</u>	<u>(3,318,427)</u>	<u>(15,311,737)</u>	<u>6,012,783</u>	<u>(13,244,602)</u>
<b>Other Financing Sources (Uses)</b>					
Tax Note			840,000		840,000
Sale of capital assets	36,569				36,569
Transfers in	7,407,889	4,077,656	671,577	22,993	12,180,115
Transfers (out)	(848,801)	(44,530)	(616,372)	(8,362,912)	(9,872,615)
<b>Total Other Financing Sources and Uses</b>	<b>6,595,657</b>	<b>4,033,126</b>	<b>895,205</b>	<b>(8,339,919)</b>	<b>3,184,069</b>
Net change in fund balance	5,968,436	714,699	(14,416,532)	(2,327,136)	(10,060,533)
<b>Fund balance - beginning</b>	<b>29,096,448</b>	<b>5,549,013</b>	<b>26,114,238</b>	<b>16,990,864</b>	<b>77,750,563</b>
<b>Fund balance - ending</b>	<b>\$ 35,064,884</b>	<b>\$ 6,263,712</b>	<b>\$ 11,697,706</b>	<b>\$ 14,663,728</b>	<b>\$ 67,690,030</b>

*See Notes to the Basic Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

*For the Year Ended September 30, 2018*

Net change in fund balances - total governmental funds: \$ (10,060,533)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which depreciation (\$26,173,963) is exceeded by capital outlays (\$9,327,417) in the current period. (16,846,546)

Donated infrastructure does not represent current assets, and therefore is not recognized as revenue in governmental fund financials. The total amount is, however, reflected in the government wide financial statements as program revenue. 8,425,106

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (135,864)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 1,246,286

Pension contributions made after the net pension liability measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position 5,250,222

OPEB contributions made after the net OPEB liability measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position 76,542

Governmental funds report proceeds from new debt as a current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceed proceeds.

Proceeds from the issuance of long term debt, plus premiums and interest, less issuance costs	(840,000)	
Repayment of long term debt principal	21,361,426	
		20,521,426

Bond issuance costs, deferred charges on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the Statement of Net Position. The net change for each represents an increase/(decrease) in net position.

Bond premiums/discounts	1,479,694	
Gain/loss on refunding	(141,894)	
		1,337,800

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Changes in accrued interest	(45,389)	
Changes in accrued compensated absences	(291,673)	
Pension expense for the pension plan measurement year	(5,768,128)	
OPEB expense for the OPEB plan measurement year	(445,734)	
		(6,550,924)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 1,524,348

Change in net position of governmental activities		<u>\$ 4,787,863</u>
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*See Notes to the Basic Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major Enterprise Funds				NonMajor Enterprise Fund	Internal Service Funds
	Utility Fund	Airport Fund	Surface Water Fund	Solid Waste Fund	Total	
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 2,630,675	\$ 991,953	\$ 3,130,234	\$ 195,844	\$ 6,948,706	\$ 3,317,608
Cash with fiscal agent						588,000
Investments	21,566,160	4,699,328	10,664,973		36,930,461	3,461,466
Accounts receivable, net of allowance for doubtful accounts	4,036,630	236,174	284,447	981,916	5,539,167	397,894
Interest receivable	260,564	23,061	75,762	193	359,580	19,828
Due from other funds	5,600,000		1,500,000		7,100,000	
Receivables from other governments				60,686	60,686	
Inventories	137,847	163,942			301,789	
Prepaid items	5,946	1,665		1,505	9,116	20,600
Restricted cash and cash equivalents	10,659,107	107,245	5,335,820		16,102,172	
Restricted investments	6,959,598	993,753	3,698,360		11,651,711	
<b>Total current assets</b>	<b>51,856,527</b>	<b>7,217,121</b>	<b>24,689,596</b>	<b>1,240,144</b>	<b>85,003,388</b>	<b>7,805,396</b>
<b>Non-current assets:</b>						
Capital assets not being depreciated:						
Land	2,445,161	20,140,022	804,373		23,389,556	
Construction in progress	5,879,718	20,258,226	17,730,526		43,868,470	
Intangibles	2,230,125		239,970		2,470,095	
Capital assets being depreciated:						
Infrastructure	449,632,176	46,113,408	105,931,300		601,676,884	
Buildings and improvements	6,501,279	17,999,696	435,721		24,936,696	
Equipment and furniture	4,652,733	5,190,014	256,086	84,202	10,183,035	12,580,847
Intangibles	127,704		891,308		1,019,012	30,354
Less accumulated depreciation	(206,354,424)	(29,938,625)	(28,125,782)	(19,982)	(264,438,813)	(8,431,913)
<b>Total non-current assets</b>	<b>265,114,472</b>	<b>79,762,741</b>	<b>98,163,502</b>	<b>64,220</b>	<b>443,104,935</b>	<b>4,179,288</b>
<b>Total Assets</b>	<b>316,970,999</b>	<b>86,979,862</b>	<b>122,853,098</b>	<b>1,304,364</b>	<b>528,108,323</b>	<b>11,984,684</b>
<b>Deferred Outflows of Resources</b>						
Deferred charge on refunding	293,339	270,217	2,125,804		2,689,360	
Deferred outflows relating to pension activities	616,368	353,548	125,909	34,095	1,129,920	
Deferred outflows relating to OPEB activities	24,190	13,875	4,941	1,337	44,343	
<b>Total Deferred Outflows of Resources</b>	<b>933,897</b>	<b>637,640</b>	<b>2,256,654</b>	<b>35,432</b>	<b>3,863,623</b>	
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued expenses	2,742,087	646,194	732,074	704,447	4,824,802	604,534
Accrued interest	372,487	52,647	549,211		974,345	
Due to other funds		1,000,000			1,000,000	
Customer deposits	2,735,668	102,154			2,837,822	
Unearned revenue		14,100			14,100	
Claims and judgments						483,676
<b>Total current liabilities</b>	<b>5,850,242</b>	<b>1,815,095</b>	<b>1,281,285</b>	<b>704,447</b>	<b>9,651,069</b>	<b>1,088,210</b>
<b>Non-current liabilities:</b>						
Due within one year	5,107,346	863,533	3,223,911	210	9,195,000	
Due in more than one year	78,018,984	10,625,256	111,141,825	8,025	199,794,090	
Net pension liability	1,408,622	807,983	287,747	77,920	2,582,272	
Net OPEB liability	376,825	216,146	76,976	20,845	690,792	
<b>Total non-current liabilities</b>	<b>84,911,777</b>	<b>12,512,918</b>	<b>114,730,459</b>	<b>107,000</b>	<b>212,262,154</b>	
<b>Total Liabilities</b>	<b>90,762,019</b>	<b>14,328,013</b>	<b>116,011,744</b>	<b>811,447</b>	<b>221,913,223</b>	<b>1,088,210</b>
<b>Deferred Inflows of Resources</b>						
Deferred inflows relating to pension activities	498,893	286,165	101,912	27,597	914,567	
Deferred inflows relating to OPEB activities	265	152	54	15	486	
<b>Total Deferred Inflows of Resources</b>	<b>499,158</b>	<b>286,317</b>	<b>101,966</b>	<b>27,612</b>	<b>915,053</b>	
<b>Net Position</b>						
Net investment in capital assets	191,557,013	68,658,831	(7,637,718)	64,220	252,642,346	4,179,288
Restricted:						
Debt service	6,997,283	949,187	1,822,924		9,769,394	
Unrestricted	28,089,423	3,395,154	14,810,836	436,517	46,731,930	6,717,186
<b>Total Net Position</b>	<b>\$ 226,643,719</b>	<b>\$ 73,003,172</b>	<b>\$ 8,996,042</b>	<b>\$ 500,737</b>	<b>309,143,670</b>	<b>\$ 10,896,474</b>

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Position.

1,417,531

Total Net Position per Government-Wide financial statements

\$ 310,561,201

See Notes to the Basic Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2018*

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Major Enterprise Funds</b>			<b>NonMajor Enterprise Fund</b>		
	<b>Utility Fund</b>	<b>Airport Fund</b>	<b>Surface Water Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Revenues</b>						
Charges for services	\$ 35,201,203	\$ 15,449,972	\$ 14,661,214	\$ 7,974,887	\$ 73,287,276	\$ 15,198,437
<b>Total Operating Revenues</b>	<u>35,201,203</u>	<u>15,449,972</u>	<u>14,661,214</u>	<u>7,974,887</u>	<u>73,287,276</u>	<u>15,198,437</u>
<b>Operating Expenses</b>						
Personnel services	4,950,203	2,840,581	899,642	279,871	8,970,297	24,220
Supplies and materials	226,374	8,111,779	90,509	31,533	8,460,195	320,170
Contractual services	8,826,732	1,576,892	3,646,155	7,618,313	21,668,092	171,914
Repairs and maintenance	7,114,690	683,223	1,683,554	5,917	9,487,384	34,443
Other expenses	1,243,637	379,933	309,686	34,610	1,967,866	12,892,819
Depreciation	14,999,576	2,256,634	6,192,851	9,880	23,458,941	1,136,862
<b>Total Operating Expenses</b>	<u>37,361,212</u>	<u>15,849,042</u>	<u>12,822,397</u>	<u>7,980,124</u>	<u>74,012,775</u>	<u>14,580,428</u>
<b>Operating income (loss)</b>	<u>(2,160,009)</u>	<u>(399,070)</u>	<u>1,838,817</u>	<u>(5,237)</u>	<u>(725,499)</u>	<u>618,009</u>
<b>Non-Operating Revenues (Expenses)</b>						
Interest and investment revenue	594,395	94,619	385,764	2,623	1,077,401	56,786
Miscellaneous revenue	15,665	17,228		2,854	35,747	
Intergovernmental		72,500		122,938	195,438	
Gain (loss) on disposal of capital assets	8,536	103			8,639	152,353
Interest expense	(2,715,325)	(382,160)	(7,079,458)		(10,176,943)	
<b>Total Non-operating Revenue (Expenses)</b>	<u>(2,096,729)</u>	<u>(197,710)</u>	<u>(6,693,694)</u>	<u>128,415</u>	<u>(8,859,718)</u>	<u>209,139</u>
<b>Income (loss) before contributions, transfers and special item</b>	<u>(4,256,738)</u>	<u>(596,780)</u>	<u>(4,854,877)</u>	<u>123,178</u>	<u>(9,585,217)</u>	<u>827,148</u>
Capital contributions	5,750,029	6,455,531		27,041	12,232,601	
Transfers in		131,260			131,260	813,200
Transfers out	(2,886,116)	(49,068)	(13,394)	(303,382)	(3,251,960)	
Special item	(2,410,372)				(2,410,372)	
<b>Change in net position</b>	<u>(3,803,197)</u>	<u>5,940,943</u>	<u>(4,868,271)</u>	<u>(153,163)</u>	<u>(2,883,688)</u>	<u>1,640,348</u>
<b>Total net position - beginning</b>	200,865,094	67,255,354	13,032,709	413,038	281,566,195	7,450,217
Prior period adjustment - see Note 16	29,581,822	(193,125)	831,604	240,862	30,461,163	1,805,909
<b>Total net position - ending</b>	<u>\$ 226,643,719</u>	<u>\$ 73,003,172</u>	<u>\$ 8,996,042</u>	<u>\$ 500,737</u>	<u>\$ 309,143,670</u>	<u>\$ 10,896,474</u>

Change in net position per above \$ (2,883,688)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities. 116,000

Change in Business-Type Activities in Net Position per Government-Wide Financial Statements \$ (2,767,688)

*See Notes to the Basic Financial Statements.*

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**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major Enterprise Funds			NonMajor Enterprise Fund		
	Utility Fund	Airport Fund	Surface Water Fund	Solid Waste Fund	Total	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>						
Receipts from customers and users	\$ 34,226,689	\$ 15,447,024	\$ 14,962,306	\$ 7,721,486	\$ 72,357,505	\$ 15,031,073
Receipts from interfund charges for services						(24,220)
Disbursed for personnel services	(4,494,801)	(2,595,315)	(868,456)	(243,042)	(8,201,614)	(12,899,566)
Disbursed for goods and services	(17,451,141)	(10,933,427)	(6,785,572)	(7,557,133)	(42,727,273)	(2,107,287)
<b>Net cash provided (used) by operating activities</b>	<b>12,280,747</b>	<b>1,918,282</b>	<b>7,308,278</b>	<b>(78,689)</b>	<b>21,428,618</b>	
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Transfers from other funds		131,260			131,260	813,200
Transfers to other funds	(2,886,116)	(49,068)	(13,394)	(303,382)	(3,251,960)	
Payment to fiscal agent						(100,000)
Operating grants and contributions		120,700		306,160	426,860	
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(2,886,116)</b>	<b>202,892</b>	<b>(13,394)</b>	<b>2,778</b>	<b>(2,693,840)</b>	<b>713,200</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from the sale of equipment	8,536	103			8,639	159,313
Proceeds from the sale of bonds			86,456,778		86,456,778	
Interest payments on debt	(2,739,071)	(406,568)	(7,157,506)		(10,303,145)	
Principal payments on debt	(3,845,000)	(2,607,362)	(3,255,036)		(9,707,398)	
Payments to bond escrow agent			(87,137,402)		(87,137,402)	
Acquisition and construction of capital assets	(6,248,811)	(119,341)	(8,266,907)		(14,635,059)	(1,360,387)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(12,824,346)</b>	<b>(3,133,168)</b>	<b>(19,360,073)</b>		<b>(35,317,587)</b>	<b>(1,201,074)</b>
<b>Cash Flows from Investing Activities</b>						
Purchase of investments						(92,764)
Sale of investments	8,345,856	1,414,475	19,316,273		29,076,604	512,233
Interest received	508,569	89,935	409,963	2,430	1,010,897	46,667
<b>Net cash provided (used) by investing activities</b>	<b>8,854,425</b>	<b>1,504,410</b>	<b>19,726,236</b>	<b>2,430</b>	<b>30,087,501</b>	<b>466,136</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>5,424,710</b>	<b>492,416</b>	<b>7,661,047</b>	<b>(73,481)</b>	<b>13,504,692</b>	<b>2,085,549</b>
Cash and equivalents, beginning of year	7,865,072	606,782	805,007	269,325	9,546,186	1,232,059
<b>Cash and equivalents, at end of year</b>	<b>\$ 13,289,782</b>	<b>\$ 1,099,198</b>	<b>\$ 8,466,054</b>	<b>\$ 195,844</b>	<b>\$ 23,050,878</b>	<b>\$ 3,317,608</b>
Unrestricted cash and equivalents	2,630,675	991,953	3,130,234	195,844	6,948,706	\$ 3,317,608
Restricted cash and equivalents	10,659,107	107,245	5,335,820		16,102,172	
	<u>\$ 13,289,782</u>	<u>\$ 1,099,198</u>	<u>\$ 8,466,054</u>	<u>\$ 195,844</u>	<u>\$ 23,050,878</u>	<u>\$ 3,317,608</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>						
Operating income (loss)	(2,160,009)	(399,070)	1,838,817	(5,237)	(725,499)	\$ 618,009
<b>Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:</b>						
Depreciation	14,999,576	2,256,634	6,192,851	9,880	23,458,941	1,136,862
(Increase) decrease in accounts receivable	(783,602)	(22,100)	301,092	(253,401)	(758,011)	(3,839)
(Increase) decrease in inventory	(6,462)	11,593			5,131	
(Increase) decrease in prepaid items	(4,676)	4,973		(1,505)	(1,208)	60,305
(Increase) decrease in deferred outflows relating to pension activities	437,048	296,297	148,531	16,499	898,375	
(Increase) decrease in deferred outflows relating to OPEB activities	(24,190)	(13,875)	(4,941)	(1,337)	(44,343)	
Increase (decrease) in accounts payable	(28,570)	(198,166)	(1,055,668)	134,745	(1,147,659)	459,475
Increase (decrease) in salaries payable	(33,806)	14,655	(3,791)	1,350	(21,592)	
Increase (decrease) in customer deposits	(190,912)	19,152			(171,760)	
Increase (decrease) in claims and judgments						(163,525)
Increase (decrease) in net pension liability	(682,833)	(482,221)	(257,126)	(22,530)	(1,444,710)	
Increase (decrease) in net OPEB liability	376,825	216,146	76,976	20,845	690,792	
Increase (decrease) in deferred inflows relating to pension activities	382,093	214,112	71,483	21,987	689,675	
Increase (decrease) in deferred inflows relating to OPEB activities	265	152	54	15	486	
<b>Net cash provided (used) by operating activities</b>	<b>\$ 12,280,747</b>	<b>\$ 1,918,282</b>	<b>\$ 7,308,278</b>	<b>\$ (78,689)</b>	<b>\$ 21,428,618</b>	<b>\$ 2,107,287</b>
<b>Non-cash Transactions:</b>						
Capital assets contributed to City	\$ 5,750,029	\$ 6,455,531	\$	\$ 27,041	\$ 12,232,601	

See Notes to the Basic Financial Statements.



**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2018**

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total Component Units</b>
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 3,290,751	\$ 40,478	\$ 20,073	\$ 2,273,020	\$ 5,624,322
Investments	2,714,862				2,714,862
Accounts receivable, net of allowance for doubtful accounts	1,144,311	2,251	2,217	4,013	1,152,792
Interest receivable	30,551	19	23	3,332	33,925
Prepaid items	5,935				5,935
Restricted cash and cash equivalents	1,961,243		30,445		1,991,688
Restricted investments	1,489,654				1,489,654
<b>Total Assets</b>	<b>10,637,307</b>	<b>42,748</b>	<b>52,758</b>	<b>2,280,365</b>	<b>13,013,178</b>
<b>Deferred Outflows of Resources</b>					
Deferred charge on refunding	87,770				87,770
<b>Total Deferred Outflows of Resources</b>	<b>87,770</b>				<b>87,770</b>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	483,673		12,342		496,015
Accrued interest	172,974				172,974
<b>Total current liabilities</b>	<b>656,647</b>		<b>12,342</b>		<b>668,989</b>
<b>Non-current liabilities:</b>					
Due within one year	2,059,598				2,059,598
Due in more than one year	28,126,980				28,126,980
<b>Total non-current liabilities</b>	<b>30,186,578</b>				<b>30,186,578</b>
<b>Total Liabilities</b>	<b>30,843,225</b>		<b>12,342</b>		<b>30,855,567</b>
<b>Net Position</b>					
Restricted:					
Debt service	3,277,923				3,277,923
Economic development activities		42,748	40,416	2,280,365	2,363,529
Unrestricted	(23,396,071)				(23,396,071)
<b>Total Net Position</b>	<b>\$ (20,118,148)</b>	<b>\$ 42,748</b>	<b>\$ 40,416</b>	<b>\$ 2,280,365</b>	<b>\$ (17,754,619)</b>

*See Notes to the Basic Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES**  
**COMBINING STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2018*

		Program Revenues	Net (Expense) Revenue and Changes in Net Position				
Functions/Programs	Expenses	Operating Grants and Contributions	Sugar Land 4B Corporation	Sugar Land Town Square	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	Totals
				Tax Increment Reinvestment Zone No. 1			
Component Unit:							
Sugar Land 4B Corporation	\$ 4,229,123	\$ 156,156	\$ (4,072,967)	\$	\$	\$	\$ (4,072,967)
Sugar Land Town Square							
Tax Increment							
Reinvestment Zone No. 1	1,531,653			(1,531,653)			(1,531,653)
Sugar Land Reinvestment							
Zone No. 3	650,168				(650,168)		(650,168)
Sugar Land Reinvestment							
Zone No. 4	50,500					(50,500)	(50,500)
	<u>\$ 6,461,444</u>	<u>\$ 156,156</u>	<u>(4,072,967)</u>	<u>(1,531,653)</u>	<u>(650,168)</u>	<u>(50,500)</u>	<u>(6,305,288)</u>
General revenues							
Taxes:							
Property taxes				1,546,935	624,568	697,569	2,869,072
Sales tax			6,719,740				6,719,740
Miscellaneous			80,000				80,000
Unrestricted investment earnings			140,334	6,680	289	29,722	177,025
Total general revenues			<u>6,940,074</u>	<u>1,553,615</u>	<u>624,857</u>	<u>727,291</u>	<u>9,845,837</u>
Change in net position			2,867,107	21,962	(25,311)	676,791	3,540,549
Net position - beginning			<u>(22,985,255)</u>	<u>20,786</u>	<u>65,727</u>	<u>1,603,574</u>	<u>(21,295,168)</u>
Net position - ending			<u>\$ (20,118,148)</u>	<u>\$ 42,748</u>	<u>\$ 40,416</u>	<u>\$ 2,280,365</u>	<u>\$ (17,754,619)</u>

*See Notes to the Basic Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 – Summary of Significant Accounting Policies**

The City of Sugar Land, Texas, (the "City") was incorporated in 1959 and adopted a "Home Rule Charter" in November 1980. The Charter, as amended, provides for a Council-Manager form of government. The Council is composed of a Mayor and six Council Members, two of which are elected at large and four of which are elected by District, each serving two-year terms. The Mayor and Council Members can serve no more than four consecutive regular two-year terms.

The Mayor presides at Council meetings and is entitled to vote on all matters considered by Council. All powers of the City are vested in the Council. Such powers include: appointment of the City Manager, boards, and commissions; adoption of the budget; authorization of bond issues; and adoption of ordinances and resolutions as deemed necessary, desirable, and beneficial to the City.

**A. Financial Reporting Entity**

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by accounting principles generally accepted in the United States of America, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other legal entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. Based on these considerations, the City's financial statements include the Sugar Land Development Corporation as a blended component unit. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the following discretely presented component units: the Sugar Land 4B Corporation, the Sugar Land Town Square TIRZ 1, the Sugar Land TIRZ 3, and the Sugar Land TIRZ 4. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are; that it has a separately elected Governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include; considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**A. Financial Reporting Entity (continued)**

**Blended Component Unit:**

**Sugar Land Development Corporation**

The Sugar Land Development Corporation (the "Corporation") has been included in the reporting entity as a blended component unit. In 1993, the Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. Effective October 1, 2005, the Board of Directors consists of members of the City Council. In the event of dissolution, net position of the Corporation shall be conveyed to the City. The Corporation is blended rather than discretely presented because the Corporation's governing body is the same as the City's and the management of the City has operational responsibility for the Corporation.

**Discretely Presented Component Units:**

**Sugar Land 4B Corporation**

In 1995, the City of Sugar Land formed the Sugar Land 4B Corporation (the "4B Corporation"), which was created by voters approving an additional sales tax. State law allows the City to collect sales tax to assist in the promotion and development activities of the City. The 4B Corporation has been included as a discretely presented component unit in the City's financial statements. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the 4B Corporation shall be conveyed to the City.

**Sugar Land Town Square Tax Increment Reinvestment Zone No. 1**

In 2000, the City of Sugar Land formed the Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (TIRZ 1), which was created under the authority of Tax Increment Financing Act, as codified as Chapter 311 of the Texas Tax Code. TIRZ 1 is a financing and management tool for the City in providing public facilities and infrastructure for a 32-acre multi-use development. TIRZ 1 has been presented as a discretely presented component unit in the City's financial statements. The participants include Fort Bend County, First Colony LID #2 and the City at 100% of incremental value. The Board of Directors consists of nine members. Fort Bend County appoints one position, the State Senator appoints one position and the State Representative of the area included within the zone appoints one position. The remaining six members are appointed by City Council. City Council has the authority to approve or disapprove TIRZ 1 projects.

**Sugar Land Reinvestment Zone No. 3**

In 2007, the City of Sugar Land formed the Sugar Land Reinvestment Zone No. 3 (TIRZ 3), which was created under the provisions of the Chapter 311 of the Texas Tax Code for the purposes of promoting and development and redevelopment of a contiguous area within the City. TIRZ 3 is a financial tool with resources from property taxes to be utilized in providing public improvements in TIRZ 3. The City participates at 50% of increment over the 2007 base value plus 50% of sales taxes within the historic district. Fort Bend County General Fund participates at 50% based on an increment over the 2013 tax base. Fort Bend County Drainage District does not participate. TIRZ 3 has been presented as a discretely presented component unit in the City's financial statements. The Board of Directors consists of five members of which the City Council appoints four members and Fort Bend County has the authority to appoint one member. City Council has the authority to approve or disapprove TIRZ 3 projects.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**A. Financial Reporting Entity (continued)**

**Sugar Land Reinvestment Zone No. 4**

In 2009, the City of Sugar Land formed Reinvestment Zone Number Four (TIRZ 4) through Ordinance 1768 under the provisions of Chapter 311 of the Texas Tax Code. The purpose of the Zone is to use tax increment revenue to finance public improvements and facilities necessary to support the development of a high-quality mixed use center with retail, office and entertainment uses. The City participates at a rate of 50 percent of their ad valorem tax rate above the 2009 tax base over the 30 year life of the Zone. Fort Bend County Municipal Utility District Nos. 138 and 139 have also agreed to contribute at a rate of 50 percent of the City's tax rate via participation agreements in 2011, while Fort Bend County Municipal Utility District No. 137 has yet to formalize a participation agreement. Participation agreements were formalized with Fort Bend County and the Fort Bend County Drainage District in January 2014 with a 2013 tax base. These agreements provide for 50 percent participation Years 2014 through 2029, 30 percent Years 2030 through 2034, and 20 percent Years 2035 through 2039; however, revenues were not captured until Tax Year 2014 (Fiscal Year 2015). The Board of Directors for TIRZ 4 consists of nine members, with four members appointed by the City, and one member appointed by each of the remaining taxing entities. Board members representing taxing entities that have yet to participate in the Zone have not been officially accepted as full recommending and voting members. The City Council has the final authority to approve or disapprove the TIRZ 4 Final Project Plan. TIRZ 4, which has one fund, has been presented as a discretely presented component unit in the City's financial statements.

Separately issued audited financial statements are not issued for the discretely presented component units. Information on the discretely presented component units is presented as separate combining statements within the basic financial statements of the City (following the basic financial statements for the funds). Unaudited financial statements may be obtained from the City's Finance Department.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the City's business-type and governmental funds and interfund loans. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements and all proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets, deferred outflows of resources, and all liabilities associated with the operations of these activities are included on the statements of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. All capital assets in the Proprietary Fund Types are valued at cost.

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include sales and use taxes, franchise taxes, charges for services and interest on temporary investments. Property tax levies collected after the fiscal year-end, which would be available to finance current operations, are immaterial and remain deferred. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental funds are those funds through which most governmental functions are typically financed. The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, administrative services, public works, parks and recreation, community development, and public safety.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The principal source of revenue for debt service is local property taxes. The Debt Service Fund is considered a major fund for reporting purposes.

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings for capital improvement projects. The Capital Projects Fund is considered a major fund for reporting purposes.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The City's Business type activities consist of the following major proprietary funds:

The *Utility Fund* is used to account for the City's water and wastewater services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Airport Fund* is used to account for the City's airport services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Surface Water Fund* is used to account for the City's surface water services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

In addition, the City's Business type activities includes the following nonmajor proprietary fund:

The *Solid Waste Fund* is used to account for the City's solid waste services. The primary source of revenue is charges for service and the expenditures relate to operating expenses.

The *Enterprise Funds* are used to account for the operations that provide water and wastewater utility services to the public, solid waste disposal operations, and general aviation services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Additionally, the City maintains *Internal Service Funds* used to account for the financing of goods or services provided by one department or program to other departments or programs of the City on a cost-reimbursement basis. These funds are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial activities of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program (general government, public safety, public works, etc.) in the statement of activities. Goods and services provided by the Internal Service Funds include employee health benefits, fleet replacement and high technology replacement.

The City uses the following classifications to describe the relative spending constraints on the various categories of fund balance. These clearly defined fund balance categories make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

*Non-spendable fund balance* – amounts that are not in spendable form or are legally or contractually required to be maintained intact.

*Restricted fund balance* – amounts that are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.

*Committed fund balance* – amounts constrained for specific purposes as determined by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. City Council will approve obligations of funds, such as multi-year contracts, prior to the end of the fiscal year.

*Assigned fund balance* – amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Intent can be established by City Council or delegated to the City Manager. City Council has by Resolution 14-24 authorized the City Manager to assign fund balance.

*Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City will maintain the General Fund unassigned fund balance equivalent to three months of normal recurring operating costs, based on current year budgeted expenditures. If the fund balance exceeds this amount, the amount in excess of policy requirements may be utilized to fund one-time expenditures in the next fiscal year's budget.

**D. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as committed or assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget.

As of September 30, 2018, outstanding purchase orders totaled \$750,537; these were the result of normal operations. Encumbrances are liquidated with existing resources, City Council has committed \$341,202 and the City Manager has assigned \$409,335 in the General Fund to liquidate outstanding purchase orders as of September 30, 2018.



**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS** *(continued)*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**E. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in privately managed public funds investment pools ("TexPool" and "TexSTAR"), balances in a governmental money market mutual fund and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

The City pools excess cash of the various individual funds to purchase these investments. These pooled investments are reported in the combined balance sheet as Investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund, monthly, based on their respective share of investments in the pooled investments. The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

**F. Investments**

Investments consist of United States (U.S.) Government and Agency securities and certificates of deposits. The City reports all investments at fair value based on quoted market prices at year-end date.

The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

**G. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Utility System Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

**H. Internal Balances**

The effect of interfund activity has been removed from the financial statements, with the exception of amounts between governmental and business-type activities, which are presented as internal balances. Goods and services provided by the City's internal service funds are charged as direct costs to the enterprise funds that received those goods and services.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**I. Inventories and Prepaid Items**

Inventories of the General and Enterprise Funds are valued at weighted moving average, except for airport fuel which is valued at market value. Inventories for all funds consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**J. Restricted Assets**

The Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, cash restricted for other purposes, and revenue bond debt service. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. The proceeds from debt are restricted for use on capital projects. Additionally, the Sugar Land Development Corporation and the Sugar Land 4B Corporation have restricted certain cash and investments for revenue bond debt service, and because of certain bond covenants, they are required to maintain prescribed amounts of resources that can be used only to service outstanding debt.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period and thus, will not be recognized as an outflow of resources (expense) until that time. The City has three items that qualify for reporting in this category.

- *Deferred outflows of resources for refunding* - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- *Deferred outflows of resources for pension activities* - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; and 3) differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**K. Deferred Outflows/Inflows of Resources (continued)**

- *Deferred outflows of resources for other post-employment benefits (OPEB)* – Reported in the government wide financial statement of net position, these deferred outflows result from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of changes in assumptions and other inputs. The deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The other OPEB related outflow will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB benefits, which is currently between 5.75 and 10.12 years, depending on the plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future reporting period and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualifies for reporting in this category.

- *Deferred inflows of resources for unavailable revenues* - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes, photographic traffic enforcement and EMS services arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- *Deferred inflows of resources for pension activities* - Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred inflows of resources for other post-employment benefits (OPEB)* – Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience. These amounts will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB, which is currently 10.12 years.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**L. Capital Assets**

Capital assets used in governmental fund types of the government are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Depreciation is recorded on capital assets on a government-wide basis. Property, Plant, and Equipment in the Proprietary Funds of the government are recorded at cost or at the estimated fair value at the date of donation if donated to the City. Property, Plant, and Equipment acquired from Municipal Utility Districts (MUDs) are recorded at the book value of the MUD at the date of dissolution. Major outlays for capital assets and improvements are capitalized in Proprietary Funds as projects are constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at both the proprietary fund and government-wide levels. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' original estimated useful lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and resulting gain or loss is included in the results of operations.

Depreciation has been provided for plant and equipment with estimated useful lives of three or more years and individual cost in excess of \$5,000 using the straight-line method over the following estimated useful life for the type of assets as follows:

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Vehicles	3 to 7 years
Office furniture and equipment	3 to 20 years
Machinery and equipment	6 to 15 years
Water and wastewater system	10 to 50 years
Airport facilities and improvements	20 to 45 years
Buildings, facilities and land improvements	15 to 45 years
Infrastructure	20 to 50 years
Organizational cost of acquired MUDs	40 years

**M. Compensated Absences**

Employees earn vacation based on years of service with the City. Employees are paid unused vacation time to a maximum of 160 hours upon termination, depending on longevity, but may not otherwise elect to be paid in lieu of vacation.

Sick leave credit accrues at the rate of one day for each month of service. Full-time employees are, upon voluntary termination and in good standing or retirement, paid for unused sick leave to a maximum of 40 or 80 hours of such pay, depending on years of service. The General Fund has typically been used to liquidate governmental activity compensated absences in prior years.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS** *(continued)*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**N. Pensions**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71.

**O. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**P. Deficit Equity**

The Sugar Land 4B Corporation had deficit net position of \$20 million as of September 30, 2018. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government.

The Photographic Traffic Enforcement Fund had a deficit fund balance of \$3,184 as of September 30, 2018. The deficit results primarily from a transfer of 50% of net revenues for traffic safety calculated on a cash basis as described in Note 7. The minimal deficit position is expected to be self-correcting in fiscal year 2019.

**Q. Budgets**

Annual appropriated budgets are adopted for the General, Special Revenue, and Debt Service Funds, using the same cash basis of accounting.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**R. New Accounting Standards**

In the current fiscal year, the City implemented the following new standards. The applicable provisions of these new standards are summarized here. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

**Note 2 - Deposits (Cash) and Investments**

**Authorization for Deposits and Investments**

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and Investments (continued)**

**Deposit and Investment Amounts**

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully FDIC insured certificates of deposit, banker's acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is three years from date of purchase.

The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps.

The City's cash and investments are classified as: Cash and cash equivalents, investments, restricted cash and cash equivalents, and restricted investments. The investments which have maturities at purchase greater than three months consist mainly of U.S. Government treasury bills, treasury notes, and other U.S. Government obligations. The restricted cash and investments are assets restricted for specific use and include the same investment vehicles as the unrestricted categories. For better management of cash, the City pools the cash, based on the City's needs, into either deposits in the bank accounts, in short-term investments with TexPool, TexSTAR, and a governmental security money market mutual fund or in longer-term investments in U.S. Government Securities. However, each fund's balance of cash and investments is maintained separately in the records of the City.

The following schedule shows the City's recorded cash and investments at year-end:

	<b>Total Fair Value</b>	
	<b>Primary Government</b>	<b>Discretely Presented Component Units</b>
Cash Deposits	\$ 985,633	\$ 366,355
Governmental Mutual Fund	32,528,004	6,826,701
Certificates of Deposit	5,933,191	1,483,776
Temporary Investments:		
Government securities:		
FHLB	29,772,823	1,972,230
FHLMC	25,795,082	
FFCB	19,125,322	748,510
FNMA	11,851,350	
FAMCA	1,990,562	
Public Funds Investment Pools:		
TexPool	6,456,457	422,954
TexSTAR	12,588,487	
	<u>\$ 147,026,910</u>	<u>\$ 11,820,526</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and Investments (continued)**

**Deposit and Investment Amounts (continued)**

The City's total cash deposits, including certificates of deposit at September 30, 2018 were entirely covered by collateralized securities held in the City's name or by federal deposit insurance.

At September 30, 2018, the City invested in a governmental money market mutual fund (Wells Fargo Government Money Market Fund) as part of its investment strategy. This investment is accomplished through daily sweeps of excess cash by the City's custodial bank into a bank-sponsored short-term investment fund. This fund is a custodial bank-sponsored commingled fund that is invested in short-term U.S. government agency and treasury debt and repurchase agreements.

At year-end the Fund was rated AAAM by Standard & Poor's

Investments' fair value measurements are as follows at September 30, 2018:

<b>Investments</b>	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Level 1 Inputs</b>	<b>Level 2 Inputs</b>	<b>Level 3 Inputs</b>
Certificates of Deposit	\$ 7,416,967	\$ 7,416,967	\$	\$
Government securities:				
FHLB	31,745,052		31,745,052	
FHLMC	25,795,082		25,795,082	
FFCB	19,873,832		19,873,832	
FNMA	11,851,350		11,851,350	
FAMCA	1,990,562		1,990,562	
<b>Total</b>	<b>\$ 98,672,845</b>	<b>\$ 7,416,967</b>	<b>\$ 91,255,878</b>	<b>\$</b>



**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and Investments (continued)**

**Deposit and Investment Amounts (continued)**

Quoted market prices are the basis of the fair value for U.S. Agency securities. The amount of increase or decrease in the fair value of investments during the current year is included in the City's investment income as follows:

	<b>Primary Government</b>	<b>Discretely Presented Component Units</b>
Interest income	\$ 2,497,860	\$ 150,834
temporary investments	(314,127)	26,191
Investment earnings	<u>\$ 2,183,733</u>	<u>\$ 177,025</u>

**Interest Rate Risk**

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	<b>Fair Value</b>		
	<b>Primary Government</b>	<b>Discretely Presented Component Units</b>	<b>Weighted Average Maturity (days)</b>
Cash Deposits	\$ 985,633	\$ 366,355	1
Governmental Mutual Fund	32,528,004	6,826,701	27
Certificate of Deposits	5,933,191	1,483,776	349
Temporary Investments:			
Government securities:			
U.S. Agency Securities	88,535,139	2,720,740	344
Public Funds Investment Pools:			
TexPool	6,456,457	422,954	28
TexSTAR	12,588,487		30
	<u>\$ 147,026,910</u>	<u>\$ 11,820,526</u>	
<b>Portfolio weighted average maturity (days)</b>	<u>231</u>	<u>124</u>	

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City's investment policy specifies a maximum weighted average maturity of 90 days for public fund investment pools and 1,095 days for securities. The targeted maximum weighted average maturity allowed, based on the stated maturity date, for the portfolio is 548 days or 18 months.

To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The settlement date is considered the date of purchase.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and Investments (continued)**

**Local Government Investment Pools**

As of September 30, 2018, the City's investments included TexPool and TexSTAR Investment Pools. The investment pool's investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act (PFIA) of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the City's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund maintains a maturity of 60 days or less, with a maximum of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of Texas PFIA for local government investment pools.

TexSTAR is overseen by a five member governing board made up of three participants and one of each of the program's professional administrators. The responsibility of the board includes the ability to influence operations, designation of management, and accountability for fiscal matters. In addition, the pool has a Participant Advisory Board which provides input and feedback on the operations and direction of the program and Standard and Poor's reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. TexSTAR uses amortized cost (which excludes unrealized gains and losses) rather than fair value to report net assets to compute share price. The fair value of the City's position in TexSTAR is the same as the value of TexSTAR shares.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and Investments (continued)**

**Concentration of Credit Risk**

The City's investment policy allows investments by type based on the following diversification requirements:

<u>Investment Type</u>	<u>Maximum Investment %</u>
Repurchase Agreements	up to 50%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 75%
Authorized Investment Pools	up to 75% total
Bankers' Acceptances	up to 25%
No Load Money Market Mutual Funds	up to 50%
No Load Mutual Funds	up to 10% total

The City had investments in U.S. Agency securities that exceeded five percent of the total investment portfolio at year-end. The City investment policy allows these investment levels for the portfolio.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total Portfolio</u>
Cash Deposits	\$ 595,849	0.4%
Money Market Mutual Fund	40,110,843	25.3%
Certificates of Deposit	7,416,967	4.7%
Temporary Investments:		
Government securities:		
FHLB	31,745,053	20.0%
FHLMC	25,795,082	16.2%
FFCB	19,873,832	12.5%
FNMA	11,851,350	7.5%
FAMCA	1,990,562	1.3%
Total government securities	91,255,879	57.4%
Public Funds Investment Pools:		
TexPool	6,879,411	4.3%
TexSTAR	12,588,487	7.9%
	<u>\$ 158,847,436</u>	<u>100.0%</u>

**Credit Risk**

At year-end balances in TexPool and TexSTAR, privately managed public funds investment pools, were rated AAAm by Standard & Poor's.

Securities from Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Banks (FFCB), Federal National Mortgage Association (FNMA), and Federal Agricultural Mortgage Corporation (FAMCA) were all rated AA+ by Standard & Poor's, AAA by Fitch Ratings, and Aaa by Moody's Investors Service.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and Investments (continued)**

**Credit Risk (continued)**

All credit ratings meet acceptable levels required by guidelines prescribed by both the PFIA and the City's investment policy. A public fund investment pool must be continuously rated no lower than AAA or AAAM or no lower than investment grade by at least one nationally recognized rating service and have a weighted average maturity no greater than 90 days. Investments with minimum required ratings do not qualify as authorized investments during the period the investment does not have the minimum rating.

**Restricted Assets**

The Enterprise Funds have restricted certain cash and cash equivalents and investments for reserve and emergency expenditures, revenue bond debt service, and other purposes. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. Some of the proceeds from debt or from funds received from acquisition of Municipal Utility Districts are restricted for use on capital projects.

The amounts of the restricted cash and cash equivalents and investments and their respective purpose in the Enterprise Funds are as follows:

<b>Restricted Purpose</b>	<b>Cash and Cash</b>	
	<b>Equivalents</b>	<b>Investments</b>
Restricted for Capital Projects	\$ 9,085,947	\$ 7,924,197
Restricted for Debt Service	7,016,225	3,727,514
<b>Total</b>	<b>\$ 16,102,172</b>	<b>\$ 11,651,711</b>

The Sugar Land 4B Corporation has restricted certain cash and investments for revenue bond debt service. This is done to comply with certain bond covenants that require funds to be reserved and used only to service outstanding debt.

Restricted cash, cash equivalents and investments are also reported in governmental funds and are restricted for the specific purposes of those particular funds.

**Note 3 - Receivables**

**Property Taxes**

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Central Appraisal District ("CAD") of Fort Bend County, Texas, establishes appraised values, and performs billing and collection of the City's tax levies. Taxes are levied by the City Council based on the appraised values and in accordance with the adopted budget.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 3 – Receivables (continued)**

Receivables at September 30, 2018, consist of the following:

**Governmental Funds:**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Non -Major Governmental Funds</b>	<b>Total</b>
Property taxes, including penalties and interest	\$ 741,525	\$ 269,893	\$	\$	\$ 1,011,418
Sales and other taxes	7,414,839				7,414,839
Fines and forfeitures	1,895,598			8,089,961	9,985,559
Interest	107,547	32,447	30,401	37,333	207,728
Other	1,016,608			582,900	1,599,508
Due from other governments	82,144		4,096,550	135,630	4,314,324
Allowance for uncollectibles	(1,983,279)			(3,210,745)	(5,194,024)
<b>Total</b>	<b>\$9,274,982</b>	<b>\$ 302,340</b>	<b>\$ 4,126,951</b>	<b>\$ 5,635,079</b>	<b>\$ 19,339,352</b>

**Proprietary Funds:**

	<b>Utilities Fund</b>	<b>Airport Fund</b>	<b>Surface Water Fund</b>	<b>Solid Waste Fund</b>	<b>Internal Service Funds</b>	<b>Total</b>
Customer accounts	\$4,242,628	\$ 253,530	\$ 305,207	\$ 837,170	\$	\$ 5,638,535
Interest	260,564	23,061	75,762	193	19,828	379,408
Other				226,141	397,894	624,035
Allowance for uncollectibles	(205,998)	(17,356)	(20,760)	(20,709)		(264,823)
<b>Total</b>	<b>\$4,297,194</b>	<b>\$ 259,235</b>	<b>\$ 360,209</b>	<b>\$ 1,042,795</b>	<b>\$ 417,722</b>	<b>\$ 6,377,155</b>

**Component Units:**

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square TIRZ #1</b>	<b>Sugar Land TIRZ #3</b>	<b>Sugar Land TIRZ #4</b>	<b>Total</b>
Sales and other taxes	\$ 1,144,311	\$ 2,251	\$ 2,217	\$ 4,013	\$ 1,152,792
Interest	30,551	19	23	3,332	33,925
<b>Total</b>	<b>\$ 1,174,862</b>	<b>\$ 2,270</b>	<b>\$ 2,240</b>	<b>\$ 7,345</b>	<b>\$ 1,186,717</b>

**Note 4 - Capital Assets**

During the current fiscal year, upon the dissolution of nine Municipal Utility Districts as described in Note 16, the City's governmental activities assumed \$86,270,976 capital assets and \$36,435,170 related accumulated depreciation, and the City's business-type activities assumed \$58,857,687 capital assets and \$32,993,741 related accumulated depreciation. In accordance with *GASB Statement No. 69* as described in Notes 1 and 16 to the financial statements, the capital assets are recognized and measured at the beginning of the current fiscal year, as such, the beginning balances have been restated.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets**

A summary of changes in the primary government's capital assets for the year ended September 30, 2018, follows:

	Restated Balance September 30, 2017 (see Note 16)	Increases	(Decreases)	Balance September 30, 2018
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 101,549,264	\$ 934,432	\$	102,483,696
Construction in progress	60,241,100	12,610,048	(40,806,345)	32,044,803
Intangibles	3,670,890	704,077	(3,008)	4,371,959
<b>Total capital assets not being depreciated</b>	<b>165,461,254</b>	<b>14,248,557</b>	<b>(40,809,353)</b>	<b>138,900,458</b>
<b>Other capital assets:</b>				
Infrastructure	540,331,977	31,014,938		571,346,915
Buildings and improvements	244,443,940	11,121,724	(1,005,329)	254,560,335
Equipment and furniture	52,591,012	3,616,933	(1,152,723)	55,055,222
Intangibles	753,750			753,750
<b>Total other capital assets</b>	<b>838,120,679</b>	<b>45,753,595</b>	<b>(2,158,052)</b>	<b>881,716,222</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(286,796,213)	(15,697,562)		(302,493,775)
Buildings and improvements	(45,341,432)	(7,945,515)	834,460	(52,452,487)
Equipment and furniture	(29,364,346)	(3,587,593)	1,118,726	(31,833,213)
Intangibles	(296,591)	(80,155)		(376,746)
<b>Total accumulated depreciation</b>	<b>(361,798,582)</b>	<b>(27,310,825)</b>	<b>1,953,186</b>	<b>(387,156,221)</b>
Other capital assets, net	476,322,097	18,442,770	(204,866)	494,560,001
<b>Totals</b>	<b>\$ 641,783,351</b>	<b>\$ 32,691,327</b>	<b>\$ (41,014,219)</b>	<b>\$ 633,460,459</b>

	Restated Balance September 30, 2017 (see Note 16)	Increases	(Decreases)	Balance September 30, 2018
<b>Business-type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	23,389,556	\$	\$	23,389,556
Construction in progress	48,911,789	23,328,604	(28,371,923)	43,868,470
Intangibles	1,835,917	634,178		2,470,095
<b>Total capital assets not being depreciated</b>	<b>74,137,262</b>	<b>23,962,782</b>	<b>(28,371,923)</b>	<b>69,728,121</b>
<b>Other capital assets:</b>				
Infrastructure	569,471,279	32,205,605		601,676,884
Buildings and improvements	23,991,353	945,343		24,936,696
Equipment and furniture	10,081,163	148,186	(46,314)	10,183,035
Intangibles	1,019,012			1,019,012
<b>Total other capital assets</b>	<b>604,562,807</b>	<b>33,299,134</b>	<b>(46,314)</b>	<b>637,815,627</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	(227,547,308)	(22,048,888)		(249,596,196)
Buildings and improvements	(7,480,980)	(779,330)		(8,260,310)
Equipment and furniture	(5,611,343)	(487,039)	44,510	(6,053,872)
Intangibles	(384,751)	(143,684)		(528,435)
<b>Total accumulated depreciation</b>	<b>(241,024,382)</b>	<b>(23,458,941)</b>	<b>44,510</b>	<b>(264,438,813)</b>
Other capital assets, net	363,538,425	9,840,193	(1,804)	373,376,814
<b>Totals</b>	<b>\$ 437,675,687</b>	<b>\$ 33,802,975</b>	<b>\$ (28,373,727)</b>	<b>\$ 443,104,935</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets (continued)**

Depreciation was charged to programs as follows:

General government	\$ 646,323
Administrative services	1,111,633
Public works	19,027,740
Parks and recreation	2,839,642
Environmental and neighborhood services	1,014,662
Community development	72,516
Public safety-Police	473,977
Public safety-Fire	987,470
In addition, depreciation on capital assets held by the City's internal service funds is charged to various functions based on their usage of the assets	1,136,862
<b>Total Governmental Activities</b>	<b>\$ 27,310,825</b>
Water and wastewater	\$ 14,999,576
Airport	2,256,634
Surface Water	6,192,851
Solid Waste	9,880
<b>Total Business-Type Activities</b>	<b>\$ 23,458,941</b>

The City has active construction projects as of September 30, 2018. The projects include various improvements to streets, parks and facilities as well as airport and utility improvements. At year-end, the City's contractual commitments on projects were as follows:

<b>Project Description</b>	<b>Total In Progress</b>	<b>Remaining Commitment</b>
Drainage improvement	\$ 1,513,545	1,864,097
Park improvement	225,293	47,663
Municipal improvements	2,131,968	627,257
Street improvement	25,342,220	6,119,689
Traffic improvement	2,831,777	704,601
GW Annexation		39,372
Water and wastewater improvements	5,879,718	5,546,162
Airport improvement	20,258,226	8,023
Surface Water	17,730,526	1,840,663
<b>Totals</b>	<b>\$ 75,913,273</b>	<b>\$ 16,797,527</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt**

**A. Governmental Activity Debt**

The City issues general obligation bonds and certificates of obligation and upon dissolution of Municipal Utility Districts, assumes unlimited tax and revenue obligations. The assumed obligations were used to acquire and construct major capital facilities. General obligation bonds, certificates of obligation, and assumed obligations from dissolved areas are for both governmental and business-type activities. The bonds are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general long-term bonds, certificates of obligation and assumed obligations are paid through the Debt Service Fund from tax revenues and transfers from the Utility fund.

During the current fiscal year, upon the dissolution of nine Municipal Utility Districts as described in Note 16, the City assumed \$34,185,000 unlimited tax and revenue obligations, \$1,513,332 related issuance premium and \$331,841 related deferred charge on refunding. In accordance with *GASB Statement No. 69* as described in Notes 1 and 16 to the financial statements, the long-term liabilities are recognized and measured at the beginning of the current fiscal year, as such, the beginning balances have been restated.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2018. In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities. Sales tax revenue bonds are serviced through sales tax revenues reported in the Sugar Land Development Corporation special revenue fund. Compensated absences are typically liquidated by the General Fund.

	Restated Balance September 30, 2017 (see Note 16)	Increases	(Decreases)	Balance September 30, 2018	Amounts Due Within One Year
<b>Bonds payable:</b>					
General obligation bonds	\$ 82,095,000	\$	\$ (7,345,000)	\$ 74,750,000	\$ 6,825,000
Annexed utility district bonds	35,970,000		(4,565,000)	31,405,000	5,410,000
Certificates of obligation	118,057,601		(6,802,601)	111,255,000	5,660,000
Sales tax revenue bonds	48,865,000		(1,845,000)	47,020,000	1,900,000
Tax note	3,193,169	840,000	(785,743)	3,247,426	1,066,024
Issuance premiums/discounts	19,025,845		(1,519,007)	17,506,838	
	<u>307,206,615</u>	<u>840,000</u>	<u>(22,862,351)</u>	<u>285,184,264</u>	<u>20,861,024</u>
<b>Other non-current liabilities:</b>					
Net pension liability	29,960,937		(11,347,167)	18,613,769	
Other Post-Employment Benefit Obligation (OPEB)	4,294,108	685,327		4,979,435	
Obligation to State	716,858		(248,798)	468,060	248,798
Compensated absences	2,904,149	4,387,242	(4,095,569)	3,195,822	75,000
<b>Total Governmental Activities</b>	<u>\$ 345,082,667</u>	<u>\$ 5,912,569</u>	<u>\$ (38,553,885)</u>	<u>\$ 312,441,350</u>	<u>\$ 21,184,822</u>



**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The full amount estimated to be required for debt service on general obligation debt is provided by:

1. the debt service portion of the tax levy;
2. interest earned in the Debt Service Fund; and
3. transfers from the Utility Enterprise and Tourism Funds. Transfers from the Enterprise Funds are approved at the discretion of City Council and are not intended to service a specific bond series.

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2018, follows:

<b>Series</b>	<b>Original Issue</b>	<b>Matures</b>	<b>Interest Rate (%)</b>	<b>Debt Outstanding</b>
<b>General Obligation Bonds</b>				
Series 2010 General Obligation & Refunding Bonds	\$ 22,290,000	2026	2.0-5.0	8,245,000
Series 2010 General Obligation Bonds	2,435,000	2030	3.0-4.125	650,000
Series 2012 General Obligation & Refunding Bonds	9,440,000	2021	2.0-4.0	445,000
Series 2012A General Obligation Refunding Bonds	4,295,000	2025	2.0-4.0	2,535,000
Series 2014 General Obligation Refunding Bonds	21,565,000	2026	2.0-5.0	12,420,000
Series 2015 General Obligation Bonds	13,010,000	2035	2.125-4.0	11,620,000
Series 2015 General Obligation Refunding Bonds	9,375,000	2028	2.0-5.0	9,275,000
Series 2015 General Obligation Refunding Bonds	22,745,000	2029	4.0-5.0	22,745,000
Series 2016 General Obligation Bonds	7,570,000	2036	2.0-4.0	6,815,000
<b>Total General Obligation Bonds</b>				<u>\$ 74,750,000</u>
<b>Certificates of Obligation</b>				
Series 2010 Tax and Revenue Certificates of Obligation	23,405,000	2030	2.5-4.0	7,340,000
Series 2013 Tax and Revenue Certificates of Obligation	24,440,000	2033	2.5-4.0	19,275,000
Series 2014 Tax and Revenue Certificates of Obligation	9,980,000	2040	3.25-6.0	9,200,000
Series 2014A Tax and Revenue Certificates of Obligation - Taxable	27,130,000	2046	3.125-4.50	26,640,000
Series 2015 Tax and Revenue Certificates of Obligation	15,005,000	2035	3.0-4.0	13,425,000
Series 2016 Tax and Revenue Certificates of Obligation	19,190,000	2036	2.0-4.0	17,270,000
Series 2017 Tax and Revenue Certificates of Obligation	19,060,000	2037	3.0-5.0	18,105,000
<b>Total Certificates of Obligation</b>				<u>\$ 111,255,000</u>
<b>Series 2014 Tax Note</b>	5,700,000	2021	1.81	<u>\$ 3,247,426</u>
<b>Sales Tax Revenue Bonds</b>				
Series 2013 Sales Tax Revenue Bonds	7,200,000	2038	4.25-4.375	\$ 6,220,000
Series 2014 Sales Tax Revenue Refunding Bonds	7,375,000	2025	2.0-5.0	5,415,000
Series 2014 Sales Tax Revenue Bonds	38,265,000	2040	3.75-6.75	35,385,000
<b>Total Sales Tax Revenue Bonds</b>				<u>\$ 47,020,000</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
<b>Annexed Utility District Bonds</b>				
<b><i>Fort Bend County Municipal Utility District No. 21</i></b>				
Series 2012 Unlimited Tax Refunding	4,045,000	2021	2.0-3.0	1,250,000
<b><i>Fort Bend County Municipal Utility District No. 106</i></b>				
Series 2009 Unlimited Tax Refunding	4,780,000	2021	4.0-5.0	820,000
Series 2012 Unlimited Tax Refunding	5,740,000	2021	3.0-3.50	2,975,000
<b><i>Fort Bend County Municipal Utility District No. 109</i></b>				
Series 2012 Unlimited Tax Refunding	4,805,000	2023	4.0	2,850,000
Series 2015 Unlimited Tax Refunding	4,960,000	2025	2.0-4.0	3,840,000
<b><i>Fort Bend County Municipal Utility District No. 117</i></b>				
Series 2012 Unlimited Tax Refunding	7,575,000	2026	3.0-4.0	6,510,000
Series 2016 Unlimited Tax Refunding	7,645,000	2025	2.0-3.0	6,695,000
<b><i>Fort Bend County Municipal Utility District No. 111</i></b>				
Series 1997 Unlimited Tax Revenue	4,200,000	2023	4.50	990,000
Series 2009 Unlimited Tax Refunding	7,475,000	2021	4.0-4.50	1,970,000
<b><i>Fort Bend County Municipal Utility District No. 112</i></b>				
Series 2011 Unlimited Tax Refunding	5,640,000	2025	4.0	3,505,000
<b>Total Annexed Utility District Bonds</b>				<u>\$ 31,405,000</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

The annual requirements to amortize governmental activity general obligation bonds and certificates of obligation outstanding at September 30, 2018, are as follows:

Year Ending Sept. 30	Governmental Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2019	\$ 6,825,000	\$ 2,953,006	\$ 5,660,000	\$ 4,131,424
2020	6,765,000	2,676,206	5,790,000	3,912,549
2021	8,015,000	2,345,481	4,770,000	3,710,699
2022	8,350,000	2,014,231	4,865,000	3,522,186
2023	8,180,000	1,678,431	4,970,000	3,328,499
2024	8,120,000	1,312,531	4,775,000	3,133,611
2025	6,560,000	990,606	4,845,000	2,939,818
2026	5,190,000	729,997	4,915,000	2,745,202
2027	4,265,000	518,963	4,985,000	2,557,508
2028	2,775,000	361,963	6,690,000	2,345,450
2029	2,005,000	269,838	6,855,000	2,093,307
2030	1,325,000	214,344	7,005,000	1,831,908
2031	1,155,000	176,075	5,260,000	1,604,696
2032	1,175,000	141,125	5,340,000	1,413,237
2033	1,200,000	105,500	5,415,000	1,225,593
2034	1,225,000	68,594	4,275,000	1,061,193
2035	1,245,000	30,469	4,350,000	916,606
2036	375,000	5,625	3,395,000	783,199
2037			2,505,000	675,331
2038			1,630,000	593,705
2039			1,700,000	523,895
2040			1,780,000	450,950
2041			1,190,000	388,055
2042			1,240,000	335,810
2043			1,295,000	281,308
2044			1,350,000	224,440
2045			1,405,000	165,208
2046			1,465,000	102,038
2047			1,535,000	34,538
	<u>\$ 74,750,000</u>	<u>\$ 16,592,985</u>	<u>\$ 111,255,000</u>	<u>\$ 47,031,963</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

The annual requirements to amortize governmental activity dissolved utility district bonds and the tax note outstanding at September 30, 2018, are as follows:

Year Ending Sept. 30	Governmental Activities			
	Annexed Utility District Bonds		Tax Note	
	Principal	Interest	Principal	Interest
2019	\$ 5,410,000	\$ 1,077,006	\$ 1,066,024	\$ 53,976
2020	5,405,000	897,906	1,085,406	34,594
2021	5,270,000	726,494	1,095,996	16,671
2022	3,455,000	554,425		
2023	3,590,000	426,875		
2024	3,400,000	298,700		
2025	3,230,000	178,350		
2026	1,645,000	65,800		
	<u>\$ 31,405,000</u>	<u>\$ 4,225,556</u>	<u>\$ 3,247,426</u>	<u>\$ 105,242</u>

**Sales Tax Revenue Bonds**

The annual requirements to amortize governmental activity sales tax revenue bonds outstanding payable from sales tax receipts collected by the SLDC at September 30, 2018, are as follows:

Year Ending Sept. 30	Sugar Land Development Corporation Blended Component Unit	
	Sales Tax Revenue Bonds	
	Principal	Interest
2019	\$ 1,900,000	\$ 2,210,621
2020	1,980,000	2,108,984
2021	2,055,000	1,998,721
2022	2,140,000	1,884,090
2023	2,225,000	1,768,821
2024	2,315,000	1,644,571
2025	2,420,000	1,512,268
2026	1,610,000	1,402,659
2027	1,675,000	1,311,318
2028	1,740,000	1,216,346
2029	1,815,000	1,122,215
2030	1,885,000	1,028,808
2031	1,965,000	933,456
2032	2,045,000	835,944
2033	2,135,000	734,106
2034	2,225,000	639,431
2035	2,330,000	552,075
2036	2,450,000	457,600
2037	2,575,000	355,478
2038	2,705,000	248,172
2039	2,355,000	146,100
2040	2,475,000	49,500
	<u>\$ 47,020,000</u>	<u>\$ 24,161,285</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

**Obligations to State - Refund of Sales Tax**

During the 1999 fiscal year, the Texas State Comptroller of Public Accounts notified the City of Sugar Land, the Sugar Land Development Corporation, and the Sugar Land 4B Corporation, that the State had remitted \$591,620 in sales tax receipts to the City which were not collected within the City. The State requested the amount be returned to the State. The City had allocated the sales tax to the Corporations in accordance with the proper sales tax rates. The City settled with the State to repay the State in annual installments of \$19,721 starting October 1, 1999, over a 30-year period without interest.

During the fiscal year 2017, the City was informed of an overpayment of sales tax in the amount of \$725,100 in error. At the City's request, the Comptroller's office agreed to deduct \$21,973 from March 2017 through October 2019 followed by one final payment of \$21,964.

**Tax Note**

In October 2014, the City issued a \$5.7 million tax note to fund the purchase of ambulances and fire trucks. The note was issued for seven years at the rate of 1.81%. The principal and interest payments are calculated based on the following draw schedule:

<u>Date</u>	<u>Draw Amount</u>
10/9/2014	\$ 2,760,000
8/15/2015	750,000
8/15/2016	1,350,000
8/15/2018	840,000
	<u>\$ 5,700,000</u>

**Defeased Debt**

In current and prior years, the City legally defeased certain bonds and certificates of obligation by placing cash and/or proceeds of refunding bonds issues in an irrevocable trust to provide for all future debt services payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's report.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

**Defeased Debt (continued)**

A summary of previously defeased debt still outstanding as of September 30, 2018 follows:

<b>Description</b>	<b>Call Date</b>	<b>Amount Considered Defeased</b>
Combination Tax & Revenue Certification of Obligation, Series 2010	2/15/2019	\$ 9,475,000
General Obligation Bonds, Series 2010	2/15/2019	1,095,000
General Obligation Refunding Bonds, Series 2010	2/15/2019	3,610,000
Combination Tax & Revenue Certification of Obligation, Series 2011	2/15/2020	80,935,000
		<u>\$ 95,115,000</u>

**B. Business Type Activity Debt**

The City issued \$78,195,000 of General Obligation Refunding Bonds, Series 2017 on December 15, 2017 to partially refund outstanding Combination Tax and Revenue Certificates of Obligation, Series 2011 prior to their scheduled maturities. This issuance is reported in business-type activities. Proceeds from the sale of the bonds, including a premium of \$8,258,538, will be used (i) to advance refund a portion of the outstanding ad valorem tax-supported obligations of the City and (ii) to pay the costs associated with the issuance of the Bonds. The refunding resulted in an economic gain of \$10.5 million

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2018:

	<b>Restated Balance September 30, 2017 (see Note 16)</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2018</b>	<b>Amounts Due Within One Year</b>
<b>Bonds payable:</b>					
Water and wastewater revenue bonds	\$ 105,220,000	\$	\$ (6,710,000)	\$ 98,510,000	\$ 6,075,000
General obligation bonds	7,030,000	78,195,000	(645,000)	84,580,000	690,000
Certificates of obligation	93,322,398		(83,287,398)	10,035,000	2,420,000
Issuance premiums/discounts	8,228,825	8,258,538	(998,684)	15,488,679	
	<u>213,801,223</u>	<u>86,453,538</u>	<u>(91,641,082)</u>	<u>208,613,679</u>	<u>9,185,000</u>
<b>Other liabilities:</b>					
Net Pension Liability	4,026,983		(1,444,711)	2,582,272	
Other Post-Employment Benefit Obligation (OPEB)	588,057	102,735		690,792	
Compensated absences	357,638	547,812	(530,039)	375,411	10,000
<b>Total Business-type Activities</b>	<u>\$ 218,773,901</u>	<u>\$ 87,104,085</u>	<u>\$ (93,615,832)</u>	<u>\$ 212,262,154</u>	<u>\$ 9,195,000</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**B. Business Type Activity Debt (continued)**

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2018 follows:

<b>Series</b>	<b>Original Issue</b>	<b>Matures</b>	<b>Interest Rate (%)</b>	<b>Debt Outstanding</b>
<b>Utility and Surface Water Funds</b>				
Series 2011 Combination Tax and Revenue Certificates of Obligation	\$ 98,810,000	2041	2.0-5.0	\$ 4,465,000
Series 2012 Waterworks and Sewer System Revenue Bonds	21,925,000	2031	1.5-3.25	16,855,000
Series 2012A Waterworks and Sewer System Revenue Refunding Bonds	9,025,000	2030	2.0-4.0	4,940,000
Series 2013 Waterworks and Sewer System Revenue Bonds	15,765,000	2033	2.5-4.0	12,630,000
Series 2015 Waterworks and Sewer System Revenue Refunding Bonds	15,750,000	2035	3.0-5.0	13,665,000
Series 2016 Waterworks and Sewer System Revenue Refunding Bonds	31,710,000	2036	2.0-5.0	31,280,000
Series 2016 Tax and Revenue Certificates of Obligation	1,620,000	2036	2.0-4.0	1,515,000
Series 2017 Waterworks and Sewer System Revenue Bonds	19,780,000	2037	3.0-5.0	19,140,000
Series 2017 G.O. Refunding Bonds	78,195,000	2041	3.0-5.0	78,195,000
<b>Total Utility and Surface Water Funds Debt</b>				<b>\$ 182,685,000</b>
<b>Airport Fund</b>				
Series 2012A General Obligation Refunding	5,610,000	2025	2.0-4.0	3,730,000
Series 2013 Tax and Revenue Certificates of Obligation	730,000	2033	2.5-4.0	570,000
Series 2015 Tax and Revenue Certificates of Obligation	1,670,000	2035	3.0-4.0	1,495,000
Series 2015 General Obligation Refunding	2,820,000	2028	2.0-5.0	2,430,000
Series 2016 General Obligation Refunding	225,000	2029	4.0-5.0	225,000
Series 2017 Tax and Revenue Certificates of Obligation	2,055,000	2037	3.0-5.0	1,990,000
<b>Total Airport Fund Debt</b>				<b>\$ 10,440,000</b>
<b>Total Enterprise Funds Long-Term Debt</b>				<b>\$ 193,125,000</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**B. Business Type Activity Debt (continued)**

The annual requirements to amortize business-type activity revenue bonds, certificates of obligation, and general obligation bonds outstanding at September 30, 2018, are as follows:

Year Ending Sept. 30	Business-Type Activities					
	Revenue Bonds		Certificates of Obligation		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 6,075,000	\$ 3,764,669	\$ 2,420,000	\$ 297,373	\$ 690,000	\$ 3,515,819
2020	6,280,000	3,550,069	2,520,000	220,860	710,000	3,492,269
2021	6,200,000	3,335,669	255,000	176,629	2,970,000	3,429,644
2022	6,440,000	3,108,769	265,000	166,016	3,105,000	3,308,869
2023	6,370,000	2,859,069	270,000	155,023	3,270,000	3,158,519
2024	6,655,000	2,581,319	275,000	143,698	3,445,000	2,996,344
2025	6,950,000	2,315,294	285,000	131,973	3,615,000	2,825,769
2026	7,260,000	2,010,806	295,000	119,776	3,180,000	2,658,869
2027	7,225,000	1,690,381	305,000	107,913	3,340,000	2,495,869
2028	7,525,000	1,398,856	315,000	96,910	3,500,000	2,324,969
2029	6,640,000	1,103,144	325,000	85,538	3,355,000	2,153,794
2030	4,980,000	850,894	340,000	73,723	3,500,000	1,982,519
2031	4,915,000	691,894	350,000	61,918	3,670,000	1,803,269
2032	3,355,000	527,944	360,000	50,344	3,850,000	1,634,519
2033	3,475,000	409,156	365,000	39,053	4,010,000	1,477,319
2034	2,480,000	285,044	340,000	28,169	4,170,000	1,313,719
2035	2,565,000	199,725	355,000	17,603	4,340,000	1,143,519
2036	1,765,000	111,475	250,000	8,369	4,515,000	966,419
2037	1,355,000	47,425	145,000	2,266	4,705,000	782,019
2038					4,905,000	589,819
2039					5,080,000	412,344
2040					5,245,000	251,016
2041					5,410,000	84,531
	<u>\$ 98,510,000</u>	<u>\$ 30,841,600</u>	<u>\$ 10,035,000</u>	<u>\$ 1,983,150</u>	<u>\$ 84,580,000</u>	<u>\$ 44,801,741</u>

**C. Component Unit Long-Term Debt**

The following is a summary of the long-term debt transactions of the Sugar Land 4B Corporation for the year ended September 30, 2018:

	Balance September 30, 2017	Increases	(Decreases)	Balance September 30, 2018	Amounts Due Within One Year
<b>Bonds payable:</b>					
Sales tax revenue bonds	\$ 32,100,000		\$ (1,960,000)	\$ 30,140,000	\$ 2,025,000
Issuance premiums/discounts	(12,382)		2,477	(9,905)	
<b>Other liabilities:</b>					
Obligation to State	91,080		(34,597)	56,483	34,598
	<u>\$ 32,178,698</u>	<u>\$</u>	<u>\$ (1,992,120)</u>	<u>\$ 30,186,578</u>	<u>\$ 2,059,598</u>



**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**C. Component Unit Long-Term Debt (continued)**

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Sugar Land 4B Corporation as of September 30, 2018 follows:

<b>Series</b>	<b>Original Issue</b>	<b>Matures</b>	<b>Interest Rate (%)</b>	<b>Debt Outstanding</b>
Series 2005 Sales Tax Revenue Bonds	\$ 5,530,000	2025	4.0-6.0	\$ 1,760,000
Series 2010 Sales Tax Revenue Refunding Bonds	9,195,000	2022	2.0-3.7	3,440,000
Series 2011 Sales Tax Revenue Bonds	30,145,000	2036	4.0-5.0	24,940,000
<b>Total Component Unit Long-Term Debt</b>				<b>\$ 30,140,000</b>

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2018, are as follows:

<b>Year Ending Sept. 30</b>	<b>Sugar Land 4B Corporation Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 2,025,000	1,316,344
2020	2,115,000	1,239,175
2021	2,195,000	1,156,850
2022	1,900,000	1,076,631
2023	1,330,000	1,011,694
2024	1,390,000	953,169
2025	1,460,000	888,863
2026	1,225,000	828,269
2027	1,290,000	771,681
2028	1,355,000	712,169
2029	1,425,000	648,728
2030	1,500,000	580,150
2031	1,580,000	506,013
2032	1,670,000	425,750
2033	1,765,000	339,875
2034	1,865,000	249,125
2035	1,970,000	153,250
2036	2,080,000	52,000
	<b>\$ 30,140,000</b>	<b>\$ 12,909,736</b>

**D. Legal Compliance**

Long-term debt assumed by the City upon dissolution of municipal utility districts in the current and previous years has been recorded as part of the City's long-term debt. A portion of the assumed debt is related to assets recorded in the Utility Fund. Even though the debt is related to assets recorded in the Utility Fund, the debt is considered general obligation debt based on Texas law. The dissolved area debt will be retired with tax revenue and operating transfers from the Utility Fund. The transfers from the Utility Fund to the Debt Service Fund are not intended to service specific general obligation debt. During the year, at the discretion of City Council, the Utility Fund made a transfer to the Debt Service Fund as indicated on the transfer schedule of \$2 million.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 6 - Fund Balance/Net Position**

The City records fund balance restrictions at the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

Fund balance restrictions for capital projects, economic development and tourism & marketing, for the year ended September 30, 2018 is as follows:

<u>Restricted Fund Balance</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service	\$ 6,263,712	Debt Service activities
Capital projects	\$ 8,700,056	Construction & acquisition of capital assets
Non-major governmental funds	\$ 2,978,978	Debt Service activities
	9,608,501	Economic development activities
	269,111	Public safety
	1,786,346	Tourism & marketing
	<u>\$ 14,642,936</u>	

The committed and assigned fund balances reported in the General Fund column of the Governmental Funds Balance Sheet are for various operating activities encumbered but not completed at year-end and have been approved by City Council and management respectively. The committed fund balance in the Capital Projects Fund represents amounts identified by City Council for various construction projects.

The Sugar Land 4B Corporation, a discretely presented component unit of the City, had a negative unrestricted net position balance at year-end of approximately \$20 million. This deficit balance is caused by the Corporation issuing bonds for economic development related construction projects and transferring the capital assets to the primary government while retaining the related debt. As noted in Note 5, the debt is expected to be retired with future dedicated sales tax revenues.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 7 - Interfund Transactions**

A summary of interfund transfers, the purpose of which is to cover operational expenses/expenditures, for the year ended September 30, 2018 is as follows:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>	<b>Purpose</b>
General Fund	Utility Fund	\$ 750,000	Annexation related expenditures
General Fund	Solid Waste Fund	300,000	Rehab projects
General Fund	GW Debt Reduction Fund	2,695,636	Annexation related expenditures
General Fund	NT Debt Reduction Fund	2,695,636	Annexation related expenditures
General Fund	Photographic Traffic Enforcement Fund	966,617	50% of net revenues for traffic safety
		<b>7,407,889</b>	
Debt Service Fund	Tourism Fund	1,406,064	Reimbursement for Conference Center, Smart Financial Centre & Plaza debt
Debt Service Fund	Utility Fund	2,055,220	Reimbursement for Annexed MUD debt
Debt Service Fund	Capital Projects	472,500	Developer Fees to cover the University Blvd. debt
Debt Service Fund	Capital Projects	143,872	Bond proceeds to support the debt issued for Parks Projects
		<b>4,077,656</b>	
Capital Project Fund	SLDC Fund	520,577	To repay interfund loan to Surface Water Fund
Capital Project Fund	Tourism Fund	25,000	PAYG CIP
Capital Project Fund	General Fund	126,000	Traffic Safety projects
		<b>671,577</b>	
Enclave at River Park PID - Special Revenue Fund	Debt Service Fund	9,117	50% of property tax in PID collected during the year
Enclave at River Park PID - Special Revenue Fund	General Fund	13,876	50% of property tax in PID collected during the year
		<b>22,993</b>	
Internal Service Fund - Medical	General Fund	663,078	Medical Insurance
Internal Service Fund - Medical	Tourism Fund	3,382	Medical Insurance
Internal Service Fund - Medical	Airport Fund	49,068	Medical Insurance
Internal Service Fund - Medical	Surface Water Fund	13,394	Medical Insurance
Internal Service Fund - Medical	Utility Fund	80,896	Medical Insurance
Internal Service Fund - Medical	Solid Waste Fund	3,382	Medical Insurance
		<b>813,200</b>	
Airport Fund	General Fund	45,847	Property tax collected during the year on Airport value
Airport Fund	Debt Service Fund	35,413	Property tax collected during the year on Airport value
Airport Fund	SLDC Fund	50,000	International Marketing
		<b>131,260</b>	
		<b>\$ 13,124,575</b>	

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 7 - Interfund Transactions (continued)**

On May 3, 2016 the City Council approved an inter-fund loan of \$5.6 million from the connection fees to the Capital Projects fund for the University Blvd. North extension project. The Utility fund is accumulating funds to support debt service for capital projects driven by new development and is not expected to need the funds through fiscal year 2020. The funds were transferred on May 3, 2016. A portion of this loan, \$1,322,211, together with accrued interest will be reimbursed by the Sugar Land Development Corporation in 2019 and the remaining balance of \$4,277,789 and accrued interest will be reimbursed by the developer no later than September 30, 2020. The interest on the loan will be accrued at 1.00% annually and will be paid with the principal amount in 2019 and 2020. The annual requirements to amortize this interfund loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
9/30/2018	\$	\$ 56,000	\$ 5,600,000
9/30/2019	1,322,211	56,000	4,277,789
9/30/2020	4,277,789	42,778	
	<u>\$ 5,600,000</u>	<u>\$ 154,778</u>	

On May 17, 2016 the City Council approved an inter-fund loan of \$2 million from the Surface Water fund to the Airport fund and \$1 million from the Surface Water fund to the Capital Projects fund to support the Westside Land Acquisition project. The funds were transferred on September 9, 2016. A portion of the loan, \$2 million, will be reimbursed to the City by Federal Aviation Administration and the Airport Fund; the remaining portion will be reimbursed by the Sugar Land Development Corporation. Interest on the loan will be accrued at 1 percent annually and paid with the principal in 2018 and 2019. The first installment of \$1.5 million in principal and \$61,726 in interest was made on September 30, 2018 with the remaining balance of \$1.5 million in principal and \$15,000 in interest due and payable on September 30, 2019.

The annual requirements to amortize this interfund loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
9/30/2019	\$ 1,500,000	\$ 15,000	\$ 1,500,000
	<u>\$ 1,500,000</u>	<u>\$ 15,000</u>	

**Note 8 - Deferred Compensation Plan**

The City maintains for its employees a tax-deferred compensation plan meeting the requirements of Internal Revenue Code Section 457. The plan was established in the 1995 fiscal year by City Ordinance and Nationwide Retirement Solutions, SBC Retirement Corporation and ICMA were appointed as plan administrators. The deferred compensation is not available to employees until termination, retirement, or death. However, while employed, deferred compensation may be available to employees in an unforeseen emergency or under certain loan provisions. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use other than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed bi-weekly by the City to selected third-party administrators. The third-party administrators handle all funds in the plan and makes investment decisions and disburse funds to employees in accordance with plan provisions.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System**

***Texas Municipal Retirement System***

**Plan Description and Provisions**

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the City are required to participate in TMRS. The City does not participate in Social Security.

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

On the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age, 5 years at age 60 and above
Updated Service Credit:	100% Repeating Transfers
Annuity Increase to retirees:	70% of CPI Repeating
Supplemental death benefit – active employees and retirees	Yes

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	206
Inactive employees entitled to but not yet receiving benefits	274
Active employees	<u>757</u>
	<u>1,237</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

***Texas Municipal Retirement System (continued)***

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2018, the City made contributions of 14.85% for the months in 2017 and 15.13% for the months in 2018.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.5%
Overall payroll growth:	3.5% to 10.5% including inflation
Investment Rate of Return:	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

***Texas Municipal Retirement System (continued)***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
U.S. equities	17.5%	4.55%
International equities	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.65%
Real estate	10.0%	4.03%
Real return	10.0%	5.00%
Absolute return	10.0%	4.00%
Private equity	5.0%	8.00%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance at 12/31/2016	\$ 217,064,642	\$ 183,076,724	\$ 33,987,918
Changes for the year:			
Service cost	9,074,683		9,074,683
Interest	14,773,403		14,773,403
Difference between expected and actual experience	(451,230)		(451,230)
Contributions - employer		7,432,931	(7,432,931)
Contributions - employee		3,503,739	(3,503,739)
Net investment income		25,390,226	(25,390,226)
Benefit payments, including refunds, of employee contributions	(5,473,504)	(5,473,504)	
Administrative expense		(131,498)	131,498
Other charges		(6,665)	6,665
Net changes	17,923,352	30,715,229	(12,791,877)
Balance at 12/31/2017	\$ 234,987,994	\$ 213,791,953	\$ 21,196,041

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

***Texas Municipal Retirement System (continued)***

**Sensitivity of the Net Pension Liability**

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<b>1% Decrease to 5.75%</b>	<b>Current Single Rate Assumption 6.75%</b>	<b>1% Increase to 7.75%</b>
City's net pension liability	\$ 58,340,026	\$ 21,196,041	\$ (8,971,284)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2018, the City recognized pension expense of \$5,768,128.

At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actuarial assumptions and actual experience	\$ 3,284,257	\$ 693,410
Changes in actuarial assumptions used		1,135,927
Differences between projected and actual investment earnings		5,677,695
Contributions subsequent to the measurement date	5,990,459	
Total	<u>\$ 9,274,716</u>	<u>\$ 7,507,032</u>



**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

***Texas Municipal Retirement System (continued)***

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$5,990,459 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2018 (i.e. recognized in the City's fiscal year 2019 financial statements). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year</b>	<b>Net deferred outflows (inflows) of resources</b>
2018	\$ 292,350
2019	(81,297)
2020	(2,229,348)
2021	(2,239,981)
2022	54,929
Thereafter	(19,428)
Total	<u>\$ (4,222,775)</u>

**Note 10 - Postemployment Benefits Other Than Pensions (OPEB)**

***TMRS Supplemental Death Benefits Fund***

**Benefit Plan Description**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an other postemployment benefit (OPEB). As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2017 was as follows:

Inactive plan members or beneficiaries currently receiving benefits	159
Inactive plan members entitled to but not yet receiving benefits	96
Active employees	<u>757</u>
Total plan members	<u>1,012</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)**

***TMRS Supplemental Death Benefits Fund (continued)***

**Contributions**

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.17% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

**Discount Rate**

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.31% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASB No. 75 also requires that the Total OPEB Liability as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary has estimated the total OPEB liability as of December 31, 2016 using a discount rate of 3.78% as of December 31, 2016.

**Actuarial Assumptions**

The City's Total OPEB Liability was measured at December 31, 2017 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

*Valuation Date:* December 31, 2017

*Methods and Assumptions:*

Inflation:	2.50%
Salary Increases:	3.50% to 10.50%, including inflation
Discount rate:	3.31%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.
Retirees' share of benefit related costs:	\$0
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)**

**TMRS Supplemental Death Benefits Fund (continued)**

**Actuarial Assumptions (continued)**

Mortality rates – disabled retirees: RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*Other Information:*

Notes: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

**Changes in the Total OPEB Liability**

<b>Total OPEB Liability</b>	
Service cost	\$ 75,080
Interest	45,918
Changes of assumptions	128,880
Benefit payments	<u>(5,005)</u>
Net change in total OPEB liability	244,873
Total OPEB liability - beginning	<u>1,179,728</u>
Total OPEB liability - ending	<u>\$ 1,424,601</u>
 Covered payroll	 \$ 50,053,408
 Total OPEB liability as a percentage of covered payroll	 2.85%

**Sensitivity Analysis**

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

<b>1% Decrease to 2.31%</b>	<b>Current Discount Rate Assumption 3.31%</b>	<b>1% Increase to 4.31%</b>
<u>\$ 1,759,791</u>	<u>\$ 1,424,601</u>	<u>\$ 1,168,228</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)**

***TMRS Supplemental Death Benefits Fund (continued)***

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity**

For the year ended September 30, 2018, the City recognized OPEB expense of \$137,889 relating to the SBFD plan.

As of September 30, 2018, the City reported deferred outflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>
Changes assumptions	\$ 111,989
Contributions subsequent to the measurement date	3,959
Total	<u>\$ 115,948</u>

The \$3,959 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2019.

Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

<b>Fiscal Year</b>	<b>Net deferred outflows (inflows) of resources</b>
2018	\$ 16,891
2019	16,891
2020	16,891
2021	16,891
2022	16,891
Thereafter	27,534
Total	<u>\$ 111,989</u>

***Retiree Health Care Plan (RHCP)***

**Plan Description**

The City's defined benefit OPEB plan, City of Sugar Land Retiree Health Care Plan (RHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. RHCP is a single employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the RHCP.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)**

**Retiree Health Care Plan (RHCP) (continued)**

**Benefits provided**

RHCP provides access to post retirement employees by offering a “blended premium” structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single “blended premium”. The difference between the underlying retiree claims and the blended overall health care premium is referred to as an “implicit” subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

Employees covered by benefit terms. At September 30, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	11
Inactive plan members entitled to but not yet receiving benefits	0
Active employees	<u>705</u>
Total plan members	<u>716</u>

**Total OPEB Liability**

The City’s total OPEB liability of \$4,245,626 was measured as of December 31, 2017, and was determined by an actuarial valuation as of December 31, 2016.

**Actuarial assumptions and methods**

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

*Valuation Date:* December 31, 2016

*Methods and Assumptions:*

Actuarial Cost Method:	Individual Entry-Age
Discount Rate:	3.31% as of December 31, 2017
Inflation:	2.50%
Salary Increases:	3.50% to 10.50%, including inflation
Demographic Assumptions:	Based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality:	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health Care Trend Rates:	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)**

**Retiree Health Care Plan (RHCP) (continued)**

**Actuarial assumptions and methods (continued)**

Participation Rates:

<u>Age at Retirement</u>	<u>Participation Assumption</u>
Less than 50	0%
Between 50 and 54	15%
Between 55 and 59	20%
Between 60 and 64	30%
65 and over	0%

*Other Information:*

Notes: The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

**Discount Rate**

Because the RHCP is unfunded or pay-as-you go, the discount rate is based on 20-year tax-exempt AA or higher Municipal Bonds or 3.31% as of the measurement date of December 31, 2017 based on the 20 Year Bond GO Index published by bondbuyer.com.

**Changes in the Total OPEB Liability**

<b>Total OPEB Liability</b>	
Service cost	\$ 226,834
Interest	146,451
Difference between expected and actual experience of the total OPEB liability	(4,427)
Changes of assumptions	194,701
Benefit payments	<u>(96,770)</u>
Net change in total OPEB liability	466,789
Total OPEB liability - beginning	<u>3,778,837</u>
Total OPEB liability - ending	<u><u>\$ 4,245,626</u></u>
 Covered payroll	 \$ 50,053,408
 Total OPEB liability as a percentage of covered payroll	 8.48%

Changes of assumptions reflect a change in the discount rate from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)**

**Retiree Health Care Plan (RHCP) (continued)**

**Sensitivity of the total OPEB liability to changes in the discount rate**

The following presents the plan's total OPEB liability, calculated using a discount rate of 3.31%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

<b>1% Decrease to 2.31%</b>	<b>Current Discount Rate Assumption 3.31%</b>	<b>1% Increase to 4.31%</b>
<b>\$ 4,661,043</b>	<b>\$ 4,245,626</b>	<b>\$ 3,865,354</b>

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates**

The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate Assumption</b>	<b>1% Increase</b>
<b>\$ 3,700,122</b>	<b>\$ 4,245,626</b>	<b>\$ 4,895,796</b>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2018, the City recognized OPEB expense of \$392,093. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$ 3,989
Changes assumptions	175,455	
Contributions subsequent to the measurement date	72,583	
<b>Total</b>	<b>\$ 248,038</b>	<b>\$ 3,989</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)**

**Retiree Health Care Plan (RHCP) (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)**

City contributions made subsequent to the measurement date of the total OPEB liability (December 31, 2017) and prior to year-end (September 30, 2018) will be recognized in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Fiscal Year</b>	<b>Net deferred outflows (inflows) of resources</b>
2018	\$ 18,808
2019	18,808
2020	18,808
2021	18,808
2022	18,808
Thereafter	77,426
Total	<u>\$ 171,466</u>

**Note 11 - Contracts with Special Districts**

**Agreements with Utility Districts**

The City has entered into utility agreements with six Municipal Utility Districts (Fort Bend MUDs No. 10, 136, 137, 138, 139 and Burney Road MUD) (the "Districts"), which are within the City's boundaries. The Districts are to acquire and construct water, wastewater, and drainage facilities to serve the area within the Districts and may issue bonds to finance such facilities. These utility agreements provide the following:

As water, wastewater and drainage facilities are acquired and constructed the Districts will transfer the facilities to the City, reserving a security interest therein for the purpose of securing performance of the City under the agreements. At such time as the bonds of the Districts are discharged, the Districts will release the security interest, and the City will own the improvements.

The water and wastewater rates charged by the City will be equal and uniform to those charged other similar users within the City, with all revenues belonging exclusively to the City.

The City has agreed to pay the Districts a tax rebate of the ad valorem taxes collected on land and improvements within the Districts. The rebates for the year ended September 30, 2018, were approximately \$3.8 million. Estimated payment for the year ending September 30, 2019 budget are \$4.3 million.

The City has entered into agreements with various Municipal Utility Districts (MUDs), Fort Bend County and the City's extraterritorial jurisdiction (ETJ) to provide fire services within the developments of Greatwood, Tara, New Territory, and Riverstone subdivisions. The districts pay a fee for these services. In addition, Fort Bend County reimburses the City for calls made into the unincorporated areas of the County. The City estimates to have received \$1,401,327 from the participating MUDs and Fort Bend County in the year ended September 30, 2018, in connection with these agreements.



**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 12 - Lease Agreements**

**Sugar Land Hotel Associates, L.P.**

In 2002, the Sugar Land Town Square Development Authority (the "Authority") entered into a ninety-nine year lease agreement with Sugar Land Hotel Associates, L.P. (the "Tenant") for the rental of the Sugar Land Conference Center and Parking Garage (the "Property"), owned by the Authority. The Tenant has the right to use the Property and has agreed to operate the Property in a "first class manner," as defined in the lease agreement, paying the Authority a base rent of \$1 per lease year, plus an incentive rent, as determined by the lease agreement, within 15 days after the Authority's receipt of an annual statement that presents the net cash flow and any net sale proceeds for the preceding lease year.

**Sugar Land Baseball, LLC**

In 2010, the City of Sugar Land entered into a twenty-five year lease agreement with Sugar Land Baseball, LLC for the rental of the Constellation Field (baseball stadium). Sugar Land Baseball, LLC owns "Skeeters" a minor league baseball team. The base annual rent of \$80,000 is due to the City January 1<sup>st</sup> each lease year. In addition to the base rent, the City will receive participation rent equal to 40% of all gross revenues in excess of \$2.6 million. In 2018 the City received \$0 in addition to the base rent.

**Smart Financial Centre at Sugar Land**

The Smart Financial Centre at Sugar Land reached substantial completion December 9, 2016 and the lease with ACE SL, LLC began December 14, 2016 under the terms of the first amendment to the development agreement and execution of lease agreement approved by City Council on October 28, 2014. The lease of the facility is for a term of 30 years from lease commencement date with lease payments due monthly in arrears. The lease agreement defines base rent, additional base rent, parking fees and participation rent and how each is calculated and when due to the City. ACE SL, LLC has provided City a letter of credit equal to the last three years' annual debt service requirements that will be reduced as additional base rent payments are set aside to build a three-year debt service reserve. ACE SL, LLC is responsible for all operations and maintenance of the Smart Financial Centre at Sugar Land during the term of the lease.

The lease payments are based on the following calculation: Base Rent: 1/12 of the annual debt service requirement for the Series 2014A Taxable Certificates of Obligation issued by the City to fund a portion of the project construction. Base rent is payable in arrears on the first day of the following month without demand. Rent payment resets each January 1 for the term of the lease. Beginning in the third year of the lease, and until a debt service reserve equal to the last three years debt service payments, the base rent increases to 125% of the annual debt service requirement. Under the lease agreement, the City is entitled to participation rent and a share of parking fees as well. The City received \$105,044 in participation rent during the fiscal year ended September 30, 2018.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 13 - Commitments and Contingencies**

**Litigation and Other Contingencies**

The City was involved in various lawsuits and arbitration proceedings at September 30, 2018. The City and its legal counsel believe that any amounts which the City might ultimately be required to pay will not exceed underlying insurance coverage.

**Federally Assisted Programs - Compliance Audits**

The City receives various grants, which are subject to audit by the respective agencies. Subsequent audits may disallow expenditures financed by government grants. It is the opinion of management that any disallowed expenditures, based on prior audit experience, will not be material in relation to the City's financial statements as of September 30, 2018.

**Arbitrage Rebate**

In accordance with the provisions of the Internal Revenue Code, sections 103, 103A, and 148, as amended, a governmental debt issuance must qualify and maintain tax-exempt status by satisfying certain arbitrage requirements contained in these provisions. As part of the requirements, certain amounts earned on the non-purpose investment of debt issuance proceeds, in excess of the yield on an issue, earned as arbitrage, will be required to be paid to the U.S. Treasury. As part of this process, the City annually determines potential arbitrage liabilities on its debt issues, on component unit debt issues and on debt issues assumed by the City from various Municipal Utility Districts.

**Economic Development Grant Commitments**

The Sugar Land Development Corporation has committed economic development grants or incentives to various companies in targeted industries to be paid in the future on the condition that certain agreed upon criteria are met. The amounts currently committed are as follows:

<b>Fiscal Year</b>	<b>Grant Commitments</b>
2019	\$ 1,101,000
2020	1,685,000
2021	885,000
2022	920,000
2023	920,000
2024	610,000
2025	580,000
2026	580,000
2027	315,000
2028	270,000
2029	270,000
<b>Totals</b>	<b>\$ 8,136,000</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 13 - Commitments and Contingencies (continued)**

**Brooks Lake Diversion Weir Agreement**

The AMIL Gates structure was constructed in the early to mid-1970's as a flood control structure to work in conjunction with the dam system along Oyster Creek. The gates are a hydraulically activated structure that opens from the bottom to maintain a maximum flood elevation for Oyster Creek and the Brooks Lake area during high water events. The gates were designed and have operated in this fashion over 35 years.

The gates operate at a high efficiency as it relates to flooding but they naturally release flow due to the design and type of construction. The gates were never envisioned to be a watertight structure; however, the flow over time has become a large concern for the City and Gulf Coast Water Authority (GCWA). The gates were rehabilitated over five years ago to address normal wear and tear on the gate structure but these improvements did not address the release of flow. The gates have lived their useful life and are not in production any longer. The study performed by Klotz Associates recommends replacement of the AMIL Gates with the proposed Brooks Lake Diversion Weir (BLDW).

The City has teamed with the GCWA on this project and has drafted the Brooks Lakes Diversion Weir Agreement to identify the parties' obligations. Terms of this agreement are as follows:

- City pays for engineering and construction costs as per the PER
- GCWA will credit half of the costs of engineering and construction plus any interests on debt against GCWA Raw Water Agreement (payment schedule of 10 years)
- The costs owed by GCWA will go through a "true-up" process at the completion of the project to include total project costs and interest
- GCWA has the option to pay their portion of the debt ahead of the schedule but will true-up upon final completion of the project
- GCWA may review design and be present for construction meetings, but City retains right to make all decisions regarding final design criteria
- City solicits competitive bids, selects contractor, manages construction
- City owns, operates and maintains project
- If GCWA wants to monitor flow from the weir, they can install flow monitoring devices but at its own cost

On January 19, 2017 the GCWA's board of directors unanimously approved the agreement to pay \$2,193,995, which is 50% of estimated project cost of \$4,387,990 over period of 10 years.

As of September 30, 2018, the City received a payment of \$250,000.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 14 - Risk Management**

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; pollution; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The City also provides Workers' Compensation insurance on its employees and volunteers through TML-Workers' Compensation Fund. Workers' Compensation premiums are subject to change when audited by TML-Workers' Compensation Fund. At September 30, 2018, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

**Employee Benefits Fund**

Beginning January 1, 2012, the City started providing health benefits to its employees and dependents through a self-funded employee health benefit plan which is accounted for in the Employee Benefits Fund - Internal Service Fund. This fund is principally supported by contributions from the City and the employees. The City makes contributions to cover the majority of the premiums for employees, and the employees are required to make contributions to cover the remaining employee and dependent costs. The Internal Service Fund charges the City's General Fund and enterprise funds for the City's contributions. Payments of premiums and administrative fees are paid out of this fund. A third party administrator acting on behalf of the City processes health claim payments.

The City has obtained excess loss insurance which limits the City's aggregate claims responsibility at 120% of expected claims and sets a deductible of \$175,000 annually for any individual, with the exception of one known catastrophic claimant which was issued a "laser" deductible of \$600,000 for the plan year.

Settled claims did not exceed insurance coverages in fiscal year 2018. Estimates of claims payable and of claims incurred, but not reported at September 30, 2018, are reflected as accrued expenses and claims payable of the Employee Benefits Fund - Internal Service Fund. The liabilities include an amount for claims that have been incurred but were not reported until after September 30, 2018. The liability reported in the fund is one of the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate based on historical claims.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 15 - Tax Abatements**

In May 2018, the Sugar Land City Council approved Resolution No. 18-16, as required by Chapter 312 of the Texas Tax Code, to strengthen minimum guidelines and criteria governing tax abatement agreements in the City of Sugar Land. The City has an ad valorem tax abatement program that abates property taxes on new value created as a result of the proposed project, with possible abatements available from the City, Fort Bend County, and, as applicable, other taxing jurisdictions.

To be eligible to receive a tax abatement the guidelines stipulate that the company must add, at minimum, a value of \$4 million to the tax rolls, with the exact abatement percentage determined by a tiered structure related to the cumulative value of improvements and personal property. The city's maximum abatement duration is 10 years with abatement percentages ranging from 35% to 100%. To receive their abatement each year, companies must submit compliance documentation to the City as outlined in their respective Tax Abatement Agreements. Compliance criteria may typically include, but are not limited to, the following requirements: minimum employee count, minimum average annual salary, minimum real, personal, and / or inventory value on tax roll, construction material / improvement receipts, minimum taxable sales, occupancy / lease requirements, and LEED certifications. Additionally, each company is required to submit their tax abatement application to the Fort Bend Central Appraisal District (FBCAD) by April 30<sup>th</sup> of each year to receive their abatement. The FBCAD will apply the abatement after confirming with the City that no deductions need to occur, which would only happen if a company did not meet a certain requirement of their Tax Abatement Agreement. Each agreement outlines how deductions will be calculated, if the noncompliance does not automatically result in a default for that year. The City typically includes a recapture clause in Tax Abatement Agreements that requires the company to return all property taxes abated under the agreement with interest and penalties to the City should the City have to terminate the agreement due to noncompliance issues. The Office of Economic Development performs an annual assessment of the compliance performance for companies receiving tax abatements.

Currently, the City has 8 active tax abatement agreements under contract for tax year 2017. These companies comprise of approximately \$187 million in real and personal property values. They also provide roughly \$10.7 million in inventory values not subject to tax abatement exemptions. In tax year 2017, the City abated \$108,510,743 in improvement and personal property value, and the revenue received for real and personal property for companies was \$249,908 for tax year 2017.

**Note 16 - Prior Period Adjustments – New Accounting Pronouncements**

***GASB Statement No. 75 - Other Post-Employment Benefits***

In the current fiscal year, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. As a result, the beginning net position of the City's governmental activities has been restated on the Statement of Activities to reflect the net OPEB liability and deferred outflow of resources relating to OPEB contributions made after the prior measurement date of the plan.

***GASB Statement No. 69 - Annexation of Municipal Utility Districts (MUDs)***

On December 12, 2017, the City annexed and dissolved nine municipal utility districts (MUDs) in the City's extraterritorial jurisdiction under Strategic Partnership Agreements entered into in 2007. The City assumed all assets and liabilities of the districts at the time of dissolution.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 16 – Prior Period Adjustments – New Accounting Pronouncements (continued)**

In accordance with GASB Statement No. 69 *Government Combinations and Disposals of Government Operations* (GASB No. 69), the annexed MUDs' assets, deferred outflows, liabilities, deferred inflows and results of operations, will be reflected on the financial statements of the City as though the MUDs had been combined at the beginning of City's fiscal year (i.e. October 1, 2017). This annexation is defined as a *government merger*; per GASB No. 69, a government merger is a government combination of legally separate entities in which no significant consideration is exchanged and one legally separate governmental entity (the MUDs) ceases to exist and its operations are absorbed into one continuing government (the City).

**Summary**

The net effect of the implementation of the new accounting pronouncements is summarized as follows:

	<b>Government-wide Statement of Activities</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net position at September 30, 2017, as previously reported	\$ 384,534,360	\$ 282,867,726
Prior Period Adjustments:		
GASB No. 75 - Recording of net OPEB liability and related deferrals for contributions as of September 30, 2017	(2,488,199)	(588,057)
Annexation of Greatwood and New Territory neighborhoods	14,469,315	31,049,220
Total prior period adjustment	11,981,116	30,461,163
Net position at September 30, 2017, as restated	<u>\$ 396,515,476</u>	<u>\$ 313,328,889</u>

	<b>Fund Level Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds</b>				
	<b>Major Enterprise Funds</b>			<b>NonMajor Enterprise Fund</b>	<b>Internal Service fund</b>
	<b>Utility Fund</b>	<b>Airport Fund</b>	<b>Surface Water Fund</b>	<b>Solid Waste Fund</b>	<b>Employee Benefit Funds</b>
Net position at September 30, 2017, as previously reported	\$ 200,865,094	\$ 67,255,354	\$ 13,032,709	\$ 413,038	\$ (704,834)
Prior Period Adjustment:					
GASB No. 75 - Recording of net OPEB liability and related deferrals for contributions as of September 30, 2017	(337,546)	(193,125)	(53,063)	(4,323)	1,805,909
Annexation of Greatwood and New Territory neighborhoods	29,919,368		884,667	245,185	
Total prior period adjustment	29,581,822	(193,125)	831,604	240,862	1,805,909
Net position at September 30, 2017, as restated	<u>\$ 230,446,916</u>	<u>\$ 67,062,229</u>	<u>\$ 13,864,313</u>	<u>\$ 653,900</u>	<u>\$ 1,101,075</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 17 - Special Item**

As described in Note 16, as a result of the annexation, the City accounted for all transactions pertaining to the annexed communities that occurred from October 1, 2017 (start of the City's fiscal year) to the date of annexation, December 12, 2017. Prior to the annexation, some MUDs made contributions for a total amount of \$2,410,372. These contributions are reported as a special item in the Proprietary Funds statement of revenues, expenses, and changes in fund net position.

The contributions are summarized as follows:

<b>Contributing entity</b>	<b>Receiving entity</b>	<b>Contribution Amount</b>	<b>Purpose</b>
MUD 67	New Territory Residential Community Association, Inc. (NTRCA)	\$ 579,898	Fund the costs related to the design, construction, installation, repair and rehabilitation of several amenities within the New Territory community
MUD 69	NTRCA	410,200	Fund the costs related to the design, construction, installation, repair and rehabilitation of several amenities within the New Territory community
MUD 111	NTRCA	215,000	Amenities
MUD 111	Sartatia Middle School	20,000	Amenities
MUD 112	NTRCA	568,467	Amenities
MUD 68	NTRCA	140,000	Amenities
	Total New Territory Community Contributions	\$ 1,933,565	
MUD 106	Fort Bend County Levee Improvement District	333,353	Levee improvements
MUD 109	Fort Bend County Levee Improvement District	135,000	Levee improvements
MUD 106	Miscellaneous	8,454	Miscellaneous
	Total Greatwood Community Contributions	\$ 476,807	
Total Contributions		\$ 2,410,372	

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 18 - Subsequent Events**

***Issuance of Bonds***

On December 1, 2018 the City issued General Obligation (G.O.) Refunding Bonds, Series 2019, in the par amount of \$13,715,000; Certification of Obligation (C.O.) Bonds, Series 2019, in the amount of \$20,760,000 and Waterworks & Sewer System Revenue Bonds, Series 2019 in the amount of \$13,660,000. All bonds closed on January 9, 2019.

Projects funded from the C.O.s include Street improvements, Drainage & flood control improvements, Traffic improvements and building improvements. Projects funded from the Revenue Bonds include improvements to water wells, distribution system, groundwater storage tanks, groundwater plants, lift stations, wastewater treatment plant and easement acquisition.

The G.O. Refunding Bonds refunded \$14,535,000 par amount in total consisting of \$990,000 par amount of Unlimited Tax Revenue Bonds, Series 1997; \$6,290,000 par amount of C.O. Bonds, Series 2010; \$540,000 par amount of G.O. Bonds, Series 2010 and \$6,715,000 par amount of G.O. Refunding Bonds, Series 2010. The refunding transaction yielded net present value savings of 6.93% of the refunded bonds.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF SUGAR LAND, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2018**

	<i>General Fund</i>			
	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive / (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property taxes	\$ 23,097,800	\$ 22,623,689	\$ 22,659,218	\$ 35,529
Sales tax	37,064,779	38,475,000	40,120,678	1,645,678
Franchise and other taxes	6,550,729	6,187,700	6,351,623	163,923
Licenses and permits	3,563,705	3,400,740	3,392,020	(8,720)
Fines and forfeitures	1,665,822	1,642,200	1,724,783	82,583
Charges for services	10,111,452	11,045,614	9,572,254	(1,473,360)
Investment earnings	192,280	287,800	351,270	63,470
Intergovernmental	70,000	541,676	631,101	89,425
Other	322,921	768,071	771,951	3,880
<b>Total Revenues</b>	<b>82,639,488</b>	<b>84,972,490</b>	<b>85,574,898</b>	<b>602,408</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	16,904,587	17,115,831	16,286,471	829,360
Administrative services	3,744,173	4,790,780	4,325,775	465,005
Public safety - Police	25,423,155	24,248,401	23,929,656	318,745
Public safety - Fire	14,510,876	13,974,665	13,767,947	206,718
Public safety - EMS	2,320,302	2,135,271	2,014,075	121,196
Public Works	10,227,370	11,018,279	10,747,689	270,590
Parks and recreation	4,973,522	4,845,929	4,718,182	127,747
Community development	5,724,475	5,629,398	5,269,134	360,264
Environmental and neighborhood services	6,526,529	5,764,595	5,143,190	621,405
<b>Total Expenditures</b>	<b>90,354,989</b>	<b>89,523,149</b>	<b>86,202,119</b>	<b>3,321,030</b>
Excess (deficiency) of revenues over expenditures	<b>(7,715,501)</b>	<b>(4,550,659)</b>	<b>(627,221)</b>	<b>3,923,438</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	8,596,533	7,666,907	7,407,889	(259,018)
Transfers (out)	(147,466)	(924,545)	(848,801)	75,744
Sale of capital assets	19,067	27,000	36,569	9,569
<b>Total Other Financing Sources (Uses)</b>	<b>8,468,134</b>	<b>6,769,362</b>	<b>6,595,657</b>	<b>(173,705)</b>
Net change in fund balance	752,633	2,218,703	5,968,436	3,749,733
<b>Fund balance - beginning</b>	<b>29,096,448</b>	<b>29,096,448</b>	<b>29,096,448</b>	
<b>Fund balance - ending</b>	<b>\$ 29,849,081</b>	<b>\$ 31,315,151</b>	<b>\$ 35,064,884</b>	<b>\$ 3,749,733</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION**  
*For the Year ended September 30, 2018*

**Budgetary Compliance**

The City of Sugar Land has complied with all material budget requirements for the year ended September 30, 2018.

Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds and Debt Service Funds, using the same basis of accounting as for financial reporting. All annual appropriations lapse at fiscal yearend. Project length budgets are adopted for the Capital Project Funds. The City, for management control, approves a financial plan for the Enterprise and Internal Service Funds. City Council approves the annual budget for the component units included in the City's financial reporting entity except TIRZ #1.

Expenditures may not legally exceed budgeted appropriations at the functional level (i.e. general government, administrative services, etc.). Expenditure requests that require an increase in total budgeted appropriation, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the authority to transfer available funds allocated by the budget from one function/department or activity to another function or activity within the same department. In cooperation with the Department Directors of the City and the Budget Officer, the City Manager prepares an annual budget for the General Fund, Special Revenue Funds, and Debt Service Fund for the ensuing fiscal year, in a form and style as deemed desirable by the City Manager. The City Manager shall submit to the Council, for its review, consideration, and revision, both a letter describing the proposed new budget, as well as a balanced budget for the forthcoming fiscal year, not later than sixty (60) days prior to the end of the current fiscal year. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments, and shall meet all fund requirements provided by law and required by bond covenants. Capital projects are budgeted on a project-length basis.

Amounts reported in the accompanying financial statements represent the original budgeted amount plus all supplemental appropriations.

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
*For the Last Four Measurement Years Ended December 31*

	2017	2016	2015	2014
<b>Total pension liability:</b>				
Service cost	\$ 9,074,683	\$ 8,454,923	\$ 8,049,539	\$ 6,851,489
Interest	14,773,403	13,448,410	12,692,457	11,663,572
Difference between expected and actual experience	(451,230)	2,302,226	3,187,321	(793,047)
Change in assumptions			(2,120,835)	
Benefit payments, including refunds of employee contributions	(5,473,504)	(4,298,333)	(3,894,213)	(3,351,164)
Net change in total pension liability	17,923,352	19,907,226	17,914,269	14,370,850
Total pension liability - beginning	217,064,642	197,157,416	179,243,147	164,872,297
Total pension liability - ending (a)	<u>\$ 234,987,994</u>	<u>\$ 217,064,642</u>	<u>\$ 197,157,416</u>	<u>\$ 179,243,147</u>
<b>Plan fiduciary net position:</b>				
Contributions - employer	\$ 7,432,931	\$ 6,863,791	\$ 6,787,295	\$ 6,171,200
Contributions - employee	3,503,739	3,266,250	3,144,351	2,801,455
Net investment income	25,390,226	11,233,878	236,145	8,361,151
Benefit payments, including refunds of employee contributions	(5,473,504)	(4,298,333)	(3,894,213)	(3,351,164)
Administrative expense	(131,498)	(126,810)	(143,822)	(87,280)
Other	(6,664)	(6,832)	(7,103)	(7,176)
Net change in plan fiduciary net position	30,715,230	16,931,944	6,122,653	13,888,186
Plan fiduciary net position - beginning	183,076,724	166,144,780	160,022,127	146,133,941
Plan fiduciary net position - ending (b)	<u>213,791,954</u>	<u>183,076,724</u>	<u>166,144,780</u>	<u>160,022,127</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 21,196,040</u>	<u>\$ 33,987,918</u>	<u>\$ 31,012,636</u>	<u>\$ 19,221,020</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	90.98%	84.34%	84.27%	89.28%
<b>Covered payroll</b>	\$ 50,053,408	\$ 46,660,720	\$ 44,919,301	\$ 40,020,785
<b>Net pension liability as a percentage of covered payroll</b>	42.35%	72.84%	69.04%	48.03%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end.

Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68.

Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**

**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CONTRIBUTIONS**  
*Last Ten Fiscal Years Ended September 30*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 7,828,012	\$ 7,371,464	\$ 7,182,639	\$ 6,731,282	\$ 6,051,096
Contribution in relation of the actuarially determined contribution	<u>7,828,012</u>	<u>7,371,464</u>	<u>7,182,639</u>	<u>6,731,282</u>	<u>6,051,096</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	\$ 51,481,994	\$ 49,279,670	\$ 48,031,610	\$ 43,906,341	\$ 39,133,715
Contributions as a percentage of covered payroll	15.2%	15.0%	15.0%	15.3%	15.5%
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Actuarially determined contribution	\$ 5,646,329	\$ 5,577,309	\$ 5,800,525	\$ 5,693,306	\$ 4,814,464
Contribution in relation of the actuarially determined contribution	<u>5,646,329</u>	<u>5,577,309</u>	<u>5,800,525</u>	<u>5,693,306</u>	<u>4,814,464</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	\$ 36,193,853	\$ 35,535,263	\$ 36,245,839	\$ 32,942,985	\$ 33,298,702
Contributions as a percentage of covered payroll	15.6%	15.7%	16.0%	17.3%	14.5%

**Notes to Required Supplementary Information:**

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED OTHER POST EMPLOYMENT BENEFIT (OPEB) SUPPLEMENTARY INFORMATION**

**CITY OF SUGAR LAND RETIREE HEALTH CARE PLAN**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**For the Last Measurement Year Ended December 31**

	<b>2017</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 226,834
Interest	146,451
Difference between expected and actual experience of the total OPEB liability	(4,427)
Changes of assumptions	194,701
Benefit payments	(96,770)
Net change in total OPEB liability	466,789
Total OPEB liability - beginning	3,778,837
Total OPEB liability - ending	<u>\$ 4,245,626</u>
 Covered payroll	 \$ 50,053,408
 Total OPEB liability as a percentage of covered payroll	 8.48%

**TMRS SUPPLEMENTAL DEATH BENEFITS FUND**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**For the Last Measurement Year Ended December 31**

	<b>2017</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 75,080
Interest	45,918
Changes of assumptions	128,880
Benefit payments	(5,005)
Net change in total OPEB liability	244,873
Total OPEB liability - beginning	1,179,728
Total OPEB liability - ending	<u>\$ 1,424,601</u>
 Covered payroll	 \$ 50,053,408
 Total OPEB liability as a percentage of covered payroll	 2.85%

Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

**Notes to Required Supplementary Information:**

*Changes of assumptions:*

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.31%
2016	3.81%



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## **OTHER SUPPLEMENTARY INFORMATION**

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***CITY OF SUGAR LAND, TEXAS***  
***SPECIAL REVENUE FUNDS***

To account for the proceeds of specific revenue sources that, are legally restricted to expenditures for specific purposes.

**Tourism Fund** – This special revenue fund is used to account for revenues received from a room occupancy tax and expenditures for the promotion of tourism and the convention and hotel industry

**Court Security Fund** – This special revenue fund is used to account for the revenues and expenditures related to the fees from court fines used for Court Security as set up by State Statute.

**Community Development Block Grant Fund** – This special revenue fund is used to account for the block grant that the City can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low and moderate income persons.

**Court Technology Fund** – This fund is used to account for revenues and expenditures related to fees from court fines used for Court Technology improvements as set up by State Statute.

**Law Enforcement Grant Fund** – This fund is used to account for grants and asset forfeitures. The proceeds are restricted for use by the Police Department.

**Photographic Traffic Enforcement Fund** – This fund is used to account for revenues and expenditures relating to implementation of the photographic traffic enforcement system.

**Debt Reduction Funds** – These funds are used to account for activities as a result of agreements with various Municipal Utility Districts in the City's ETJ's whereby the resources are to be accumulated in order to assist with debt retirements upon dissolution of such entities. These include Riverstone, Greatwood, New Territory, and Tara Plantation.

**Sugar Land Development Corporation Fund** – This fund is used to account for the promoting of economic and development activities on behalf of the City. The principal source of revenue for the Sugar Land Development Corporation Fund is sales taxes.

**Enclave at River Park PID** - This fund allows the City to levy and collect an assessment on property within the PID for reimbursement of expenses associated with improvement projects which include: water, wastewater, or drainage facility construction/improvements; street and sidewalk construction/improvements; park and recreation establishment/improvements; acquisition of property; and administration/operational expenses.

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**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2018**

Page 1 of 3

	<b>Tourism Fund</b>	<b>Court Security Fund</b>	<b>Community Development Block Grant Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,054,475	\$ 20,643	\$
Investments	248,081		
Receivables (net of allowance for uncollectibles)	539,006	18	
Interest receivable	2,087		
Due from other governments			135,630
Inventories	7,935		
Prepaid items			
Restricted cash and cash equivalents			
Restricted investments			
<b>Total Assets</b>	<u>\$ 1,851,584</u>	<u>\$ 20,661</u>	<u>\$ 135,630</u>
<b>Liabilities</b>			
Accounts payable	\$ 51,484	\$	\$ 135,630
Accrued expenditures	5,819	901	
<b>Total Liabilities</b>	<u>57,303</u>	<u>901</u>	<u>135,630</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			
<b>Total Deferred Inflows of Resources</b>			
<b>Fund Balance</b>			
Nonspendable:			
Inventories	7,935		
Prepaid expenses			
Restricted:			
Debt service			
Economic development activities			
Public safety		19,760	
Tourism & marketing	1,786,346		
Unassigned			
<b>Total Fund Balance</b>	<u>1,794,281</u>	<u>19,760</u>	
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u>\$ 1,851,584</u>	<u>\$ 20,661</u>	<u>\$ 135,630</u>

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2018**

Page 2 of 3

	<b>Court Technology Fund</b>	<b>Law Enforcement Grant Fund</b>	<b>Photographic Traffic Enforcement Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 25,427	\$ 315,480	\$ 1,007,125
Investments			
Receivables (net of allowance for uncollectibles)	4	318	3,716,045
Interest receivable			
Due from other governments			
Inventories			
Prepaid items			
Restricted cash and cash equivalents			
Restricted investments			
<b>Total Assets</b>	<b>\$ 25,431</b>	<b>\$ 315,798</b>	<b>\$ 4,723,170</b>
<b>Liabilities</b>			
Accounts payable	\$	\$ 82,873	\$ 1,012,756
Accrued expenditures			
<b>Total Liabilities</b>		<b>82,873</b>	<b>1,012,756</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			3,713,598
<b>Total Deferred Inflows of Resources</b>			<b>3,713,598</b>
<b>Fund Balance</b>			
Nonspendable:			
Inventories			
Prepaid expenses			
Restricted:			
Debt service			
Economic development activities			
Public safety	25,431	232,925	
Tourism & marketing			
Unassigned			(3,184)
<b>Total Fund Balance</b>	<b>25,431</b>	<b>232,925</b>	<b>(3,184)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 25,431</b>	<b>\$ 315,798</b>	<b>\$ 4,723,170</b>

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2018**

Page 3 of 3

	<b>Debt Reduction Funds</b>	<b>Sugar Land Development Corporation Fund</b>	<b>Enclave at River Park PID</b>	<b>Totals</b>
<b>Assets</b>				
Cash and cash equivalents	\$	\$ 1,065,307	\$	\$ 3,488,457
Investments		3,229,629		3,477,710
Receivables (net of allowance for uncollectibles)	41,107	1,144,311	21,307	5,462,116
Interest receivable	12,393	22,853		37,333
Due from other governments				135,630
Inventories				7,935
Prepaid items		7,036		7,036
Restricted cash and cash equivalents	449,330	2,832,205	499,283	3,780,818
Restricted investments	1,976,782	1,487,999		3,464,781
<b>Total Assets</b>	<b>\$ 2,479,612</b>	<b>\$ 9,789,340</b>	<b>\$ 520,590</b>	<b>\$ 19,861,816</b>
<b>Liabilities</b>				
Accounts payable	\$	\$ 173,803	\$	\$ 1,456,546
Accrued expenditures				6,720
<b>Total Liabilities</b>		<b>173,803</b>		<b>1,463,266</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue			21,224	3,734,822
<b>Total Deferred Inflows of Resources</b>			<b>21,224</b>	<b>3,734,822</b>
<b>Fund Balance</b>				
Nonspendable:				
Inventories				7,935
Prepaid expenses		7,036		7,036
Restricted:				
Debt service	2,479,612		499,366	2,978,978
Economic development activities		9,608,501		9,608,501
Public safety				278,116
Tourism & marketing				1,786,346
Unassigned				(3,184)
<b>Total Fund Balance</b>	<b>2,479,612</b>	<b>9,615,537</b>	<b>499,366</b>	<b>14,663,728</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 2,479,612</b>	<b>\$ 9,789,340</b>	<b>\$ 520,590</b>	<b>\$ 19,861,816</b>



**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2018**

Page 1 of 3

	<b>Tourism Fund</b>	<b>Court Security Fund</b>	<b>Community Development Block Grant Fund</b>
<b>Revenues</b>			
Sales tax	\$	\$	\$
Franchise and other taxes	2,707,936		
Fines and forfeitures		40,030	
Investment earnings	19,158	174	
Intergovernmental			247,261
Other	14,044		
<b>Total Revenues</b>	<u>2,741,138</u>	<u>40,204</u>	<u>247,261</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	914,511		247,261
Administrative services		36,546	
Public Safety - Police			
<b>Debt Service:</b>			
Principal			
Interest and other charges			
Capital Outlay			
<b>Total Expenditures</b>	<u>914,511</u>	<u>36,546</u>	<u>247,261</u>
Excess (deficiency) of revenues over expenditures	<u>1,826,627</u>	<u>3,658</u>	
<b>Other Financing Sources (Uses)</b>			
Transfers in			
Transfers out	(1,434,446)		
<b>Total Other Financing Sources and Uses</b>	<u>(1,434,446)</u>		
Net change in fund balance	392,181	3,658	
<b>Fund balance - beginning</b>	<u>1,402,100</u>	<u>16,102</u>	
<b>Fund balance - ending</b>	<u>\$ 1,794,281</u>	<u>\$ 19,760</u>	<u>\$</u>

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2018**

Page 2 of 3

	<b>Court Technology Fund</b>	<b>Law Enforcement Grant Fund</b>	<b>Photographic Traffic Enforcement Fund</b>
<b>Revenues</b>			
Sales tax	\$	\$	\$
Franchise and other taxes			
Fines and forfeitures	53,361		2,863,697
Investment earnings	678	2,320	14,401
Intergovernmental			
Other		170,104	
<b>Total Revenues</b>	<u>54,039</u>	<u>172,424</u>	<u>2,878,098</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government			
Administrative services	52,873		
Public Safety - Police		63,979	1,888,152
<b>Debt Service:</b>			
Principal			
Interest and other charges			
Capital Outlay		51,008	
<b>Total Expenditures</b>	<u>52,873</u>	<u>114,987</u>	<u>1,888,152</u>
Excess (deficiency) of revenues over expenditures	<u>1,166</u>	<u>57,437</u>	<u>989,946</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in			
Transfers out			(966,617)
<b>Total Other Financing Sources and Uses</b>			<u>(966,617)</u>
Net change in fund balance	1,166	57,437	23,329
<b>Fund balance - beginning</b>	<u>24,265</u>	<u>175,488</u>	<u>(26,513)</u>
<b>Fund balance - ending</b>	<u>\$ 25,431</u>	<u>\$ 232,925</u>	<u>\$ (3,184)</u>

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2018**

Page 3 of 3

	<b>Debt Reduction Funds</b>	<b>Sugar Land Development Corporation Fund</b>	<b>Enclave at River Park PID</b>	<b>Totals</b>
<b>Revenues</b>				
Sales tax	\$	\$ 6,686,780	\$	\$ 6,686,780
Franchise and other taxes			137,284	2,845,220
Fines and forfeitures				2,957,088
Investment earnings	105,124	121,740	7,286	270,881
Intergovernmental	248,274	1,050,000		1,545,535
Other	110,849	317,776		612,773
<b>Total Revenues</b>	<u>464,247</u>	<u>8,176,296</u>	<u>144,570</u>	<u>14,918,277</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government		1,380,440		2,542,212
Administrative services		2,740		92,159
Public Safety - Police				1,952,131
<b>Debt Service:</b>				
Principal		1,845,000		1,845,000
Interest and other charges		2,307,046		2,307,046
Capital Outlay		115,938		166,946
<b>Total Expenditures</b>	<u></u>	<u>5,651,164</u>	<u></u>	<u>8,905,494</u>
Excess (deficiency) of revenues over expenditures	<u>464,247</u>	<u>2,525,132</u>	<u>144,570</u>	<u>6,012,783</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in			22,993	22,993
Transfers out	(5,391,272)	(570,577)		(8,362,912)
<b>Total Other Financing Sources and Uses</b>	<u>(5,391,272)</u>	<u>(570,577)</u>	<u>22,993</u>	<u>(8,339,919)</u>
Net change in fund balance	(4,927,025)	1,954,555	167,563	(2,327,136)
<b>Fund balance - beginning</b>	<u>7,406,637</u>	<u>7,660,982</u>	<u>331,803</u>	<u>16,990,864</u>
<b>Fund balance - ending</b>	<u>\$ 2,479,612</u>	<u>\$ 9,615,537</u>	<u>\$ 499,366</u>	<u>\$ 14,663,728</u>

**CITY OF SUGAR LAND, TEXAS**  
**MAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2018*  
*with comparative actual totals for the year ended September 30, 2017*

	<b>2018</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2017</b>
<b>Revenues</b>				
<b>Taxes:</b>				
Property taxes	\$ 21,660,313	\$ 21,265,277	\$ (395,036)	\$ 17,871,342
Investment earnings	50,750	104,509	53,759	34,294
Intergovernmental	3,330,104	3,651,210	321,106	
Other	1,601,299	1,601,308	9	1,118,103
<b>Total Revenues</b>	<u>26,642,466</u>	<u>26,622,304</u>	<u>(20,162)</u>	<u>19,023,739</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	1,825,020	1,647,389	177,631	1,652,432
<b>Debt Service:</b>				
Principal	19,493,184	19,498,344	(5,160)	14,359,483
Interest and other charges	9,028,359	8,794,998	233,361	7,762,314
<b>Total Expenditures</b>	<u>30,346,563</u>	<u>29,940,731</u>	<u>405,832</u>	<u>23,774,229</u>
Excess (deficiency) of revenues over expenditures	(3,704,097)	(3,318,427)	385,670	(4,750,490)
<b>Other Financing Sources (Uses)</b>				
Premium on general obligation debt				6,241
Transfers in	4,077,657	4,077,656	(1)	4,616,779
Transfers (out)	(102,360)	(44,530)	57,830	(73,203)
<b>Total other financing sources (uses)</b>	<u>3,975,297</u>	<u>4,033,126</u>	<u>57,829</u>	<u>4,549,817</u>
<b>Changes in fund balance</b>	271,200	714,699	443,499	(200,673)
<b>Fund balance - beginning</b>	<u>5,549,013</u>	<u>5,549,013</u>		<u>5,749,686</u>
<b>Fund balance - ending</b>	<u>\$ 5,820,213</u>	<u>\$ 6,263,712</u>	<u>\$ 443,499</u>	<u>\$ 5,549,013</u>

**CITY OF SUGAR LAND, TEXAS**  
**MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended September 30, 2018**  
**with comparative actual totals for the year ended September 30, 2017**

	<b>2018</b>		<b>Variance</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Positive / (Negative)</b>	<b>2017</b>
<b>Revenues</b>				
Charges for services	\$ 647,500	\$ 231,700	\$ (415,800)	\$ 347,220
Investment earnings	135,000	322,886	187,886	307,387
Intergovernmental	1,438,325	2,641,567	1,203,242	18,423,700
Other	11,217,774	756,635	(10,461,139)	2,269,660
<b>Total Revenues</b>	<b>13,438,599</b>	<b>3,952,788</b>	<b>(9,485,811)</b>	<b>21,347,967</b>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	214,300	212,500	1,800	343,329
Public safety - police		25	(25)	
Public safety - fire		106,806	(106,806)	19,050
Public safety - EMS		2,736	(2,736)	
Public works	8,101,103	6,956,479	1,144,624	5,504,444
Parks and recreation	1,587,447	1,241,944	345,503	471,827
<b>Debt Service:</b>				
Principal	500,000	500,000		
Interest	20,575	20,575		
Handling fees & issuance costs	100,000		100,000	355,510
<b>Capital outlay</b>	<b>25,483,068</b>	<b>10,723,460</b>	<b>14,759,608</b>	<b>50,925,864</b>
<b>Total Expenditures</b>	<b>36,006,493</b>	<b>19,764,525</b>	<b>16,241,968</b>	<b>57,620,024</b>
Excess (deficiency) of revenues over expenditures	(22,567,894)	(15,811,737)	6,756,157	(36,272,057)
<b>Other Financing Sources (Uses)</b>				
Certificates of obligation issued	8,042,056		(8,042,056)	19,060,000
General obligation bonds issued				7,570,000
Premium on debt issued				2,039,223
Capital leases		840,000	840,000	
Transfers in	671,575	671,577	2	2,603,474
Transfers (out)	(616,372)	(616,372)		(897,500)
<b>Total other financing sources (uses)</b>	<b>8,097,259</b>	<b>895,205</b>	<b>(7,202,054)</b>	<b>30,375,197</b>
<b>Changes in fund balance</b>	<b>(14,470,635)</b>	<b>(14,916,532)</b>	<b>(445,897)</b>	<b>(5,896,860)</b>
<b>Fund balance - beginning</b>	<b>32,714,238</b>	<b>32,714,238</b>		<b>38,611,098</b>
<b>Fund balance - ending</b>	<b>\$ 18,243,603</b>	<b>\$ 17,797,706</b>	<b>\$ (445,897)</b>	<b>\$ 32,714,238</b>

**CITY OF SUGAR LAND, TEXAS****NOTES TO CAPITAL PROJECTS FUND BUDGETARY SCHEDULE***For the Year Ended September 30, 2018***Budgetary Basis**

While the City reports financial position, results of operations and changes in fund balances on the basis of accounting allowed under generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts and cash disbursements.

The major differences between the budgetary and GAAP basis of accounting is the adjustment to beginning fund balance. In the prior year an interfund loan was reported; the proceeds from interfund loans are budgetary resources reported as Other Financing Sources, rather than Due to Other Funds (a liability), for GAAP reporting.

The following is a reconciliation of the Capital Projects Fund net changes in fund balance as reported in the budgetary and GAAP basis of accounting schedule of revenues, expenditures, and changes in fund balance:

	<b>Budgetary Basis</b>	<b>Adjustments</b>	<b>GAAP Basis</b>
<b>Total Revenues</b>	<u>\$ 3,952,788</u>	<u>\$</u>	<u>\$ 3,952,788</u>
<b>Total Expenditures</b>	<u>19,764,525</u>	<u>(500,000)</u>	<u>19,264,525</u>
Excess (deficiency) of revenues over expenditures	(15,811,737)	500,000	(15,311,737)
<b>Total Other Financing Sources (Uses)</b>	<u>895,205</u>	<u></u>	<u>895,205</u>
<b>Changes in fund balance</b>	(14,916,532)	500,000	(14,416,532)
<b>Fund balance - beginning</b>	<u>32,714,238</u>	<u>(6,600,000)</u>	<u>26,114,238</u>
<b>Fund balance - ending</b>	<u><u>\$ 17,797,706</u></u>	<u><u>\$ (6,100,000)</u></u>	<u><u>\$ 11,697,706</u></u>

**CITY OF SUGAR LAND, TEXAS****SPECIAL REVENUE FUND - TOURISM FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2018**with comparative actual amounts for the year ended September 30, 2017*

	<b>2018</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2017</b>
<b>Revenues</b>				
Hotel occupancy tax	\$ 2,746,530	\$ 2,707,936	\$ (38,594)	\$ 2,374,566
Investment Income	9,023	19,158	10,135	2,785
Other	2,410	14,044	11,634	
<b>Total Revenues</b>	<u>2,757,963</u>	<u>2,741,138</u>	<u>(16,825)</u>	<u>2,377,351</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,321,661	914,511	407,150	1,046,116
<b>Total Expenditures</b>	<u>1,321,661</u>	<u>914,511</u>	<u>407,150</u>	<u>1,046,116</u>
Excess (deficiency) of revenues over expenditures	1,436,302	1,826,627	390,325	1,331,235
<b>Other Financing Sources (Uses)</b>				
Transfers in				425,000
Transfers out	(1,434,446)	(1,434,446)		(1,408,697)
<b>Total Other Financing Sources and Uses</b>	<u>(1,434,446)</u>	<u>(1,434,446)</u>		<u>(983,697)</u>
<b>Changes in fund balance</b>	1,856	392,181	390,325	347,538
<b>Fund balance - beginning</b>	<u>1,402,100</u>	<u>1,402,100</u>		<u>1,054,562</u>
<b>Fund balance - ending</b>	<u>\$ 1,403,956</u>	<u>\$ 1,794,281</u>	<u>\$ 390,325</u>	<u>\$ 1,402,100</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - COURT SECURITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2018*  
*with comparative actual amounts for the year ended September 30, 2017*

	<b>2018</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2017</b>
<b>Revenues</b>				
Fines and forfeitures	\$ 36,270	\$ 40,030	\$ 3,760	\$ 36,436
Investment earnings	85	174	89	31
<b>Total Revenues</b>	<u>36,355</u>	<u>40,204</u>	<u>3,849</u>	<u>36,467</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	<u>36,674</u>	<u>36,546</u>	<u>128</u>	<u>44,371</u>
<b>Total Expenditures</b>	<u>36,674</u>	<u>36,546</u>	<u>128</u>	<u>44,371</u>
<b>Changes in fund balance</b>	<u>(319)</u>	<u>3,658</u>	<u>3,977</u>	<u>(7,904)</u>
<b>Fund balance - beginning</b>	<u>16,102</u>	<u>16,102</u>		<u>24,006</u>
<b>Fund balance - ending</b>	<u>\$ 15,783</u>	<u>\$ 19,760</u>	<u>\$ 3,977</u>	<u>\$ 16,102</u>



**CITY OF SUGAR LAND, TEXAS****SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT BLOCK GRANT FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2018**with comparative actual amounts for the year ended September 30, 2017*

	<b>2018</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2017</b>
<b>Revenues</b>				
Intergovernmental	\$ 303,292	\$ 247,261	\$ (56,031)	\$ 461,617
<b>Total Revenues</b>	<u>303,292</u>	<u>247,261</u>	<u>(56,031)</u>	<u>461,617</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	303,292	247,261	56,031	158,313
Capital Outlay				303,304
<b>Total Expenditures</b>	<u>303,292</u>	<u>247,261</u>	<u>56,031</u>	<u>461,617</u>
<b>Changes in fund balance</b>				
<b>Fund balance - beginning</b>				
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - COURT TECHNOLOGY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2018**  
**with comparative actual amounts for the year ended September 30, 2017**

	<b>2018</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2017</b>
<b>Revenues</b>				
Fines and forfeitures	\$ 48,263	\$ 53,361	\$ 5,098	\$ 48,577
Investment earnings	508	678	170	306
<b>Total Revenues</b>	<u>48,771</u>	<u>54,039</u>	<u>5,268</u>	<u>48,883</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	64,138	52,873	11,265	72,305
<b>Total Expenditures</b>	<u>64,138</u>	<u>52,873</u>	<u>11,265</u>	<u>72,305</u>
<b>Changes in fund balance</b>	(15,367)	1,166	16,533	(23,422)
<b>Fund balance - beginning</b>	<u>24,265</u>	<u>24,265</u>		<u>47,687</u>
<b>Fund balance - ending</b>	<u>\$ 8,898</u>	<u>\$ 25,431</u>	<u>\$ 16,533</u>	<u>\$ 24,265</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - LAW ENFORCEMENT GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2018*  
*with comparative actual amounts for the year ended September 30, 2017*

	<b>2018</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2017</b>
<b>Revenues</b>				
Investment earnings	\$ 632	\$ 2,320	\$ 1,688	\$ 91
Other	5,104	170,104	165,000	144,140
<b>Total Revenues</b>	<u>5,736</u>	<u>172,424</u>	<u>166,688</u>	<u>144,231</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public Safety - Police	65,880	63,979	1,901	
<b>Capital Outlay</b>	<u>51,014</u>	<u>51,008</u>	<u>6</u>	
<b>Total Expenditures</b>	<u>116,894</u>	<u>114,987</u>	<u>1,907</u>	
Excess (deficiency) of revenues over expenditures	<u>(111,158)</u>	<u>57,437</u>	<u>168,595</u>	<u>144,231</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out				<u>(109,000)</u>
<b>Changes in fund balance</b>	<u>(111,158)</u>	<u>57,437</u>	<u>168,595</u>	<u>35,231</u>
<b>Fund balance - beginning</b>	<u>175,488</u>	<u>175,488</u>		<u>140,257</u>
<b>Fund balance - ending</b>	<u>\$ 64,330</u>	<u>\$ 232,925</u>	<u>\$ 168,595</u>	<u>\$ 175,488</u>

**CITY OF SUGAR LAND, TEXAS****SPECIAL REVENUE FUND - PHOTOGRAPHIC TRAFFIC ENFORCEMENT FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2018**with comparative actual amounts for the year ended September 30, 2017*

	<b>2018</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2017</b>
<b>Revenues</b>				
Fines and forfeitures	\$ 2,766,650	\$ 2,863,697	\$ 97,047	\$ 2,348,422
Investment earnings	1,100	14,401	13,301	797
<b>Total Revenues</b>	<u>2,767,750</u>	<u>2,878,098</u>	<u>110,348</u>	<u>2,349,219</u>
<b>Expenditures</b>				
Current:				
Public Safety - Police	<u>1,922,075</u>	<u>1,888,152</u>	<u>33,923</u>	<u>1,645,564</u>
<b>Total Expenditures</b>	<u>1,922,075</u>	<u>1,888,152</u>	<u>33,923</u>	<u>1,645,564</u>
Excess (deficiency) of revenues over expenditures	845,675	989,946	144,271	703,655
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	<u>(845,673)</u>	<u>(966,617)</u>	<u>(120,944)</u>	<u>(746,553)</u>
<b>Changes in fund balance</b>	2	23,329	23,327	(42,898)
<b>Fund balance - beginning</b>	<u>(26,513)</u>	<u>(26,513)</u>		<u>16,385</u>
<b>Fund balance - ending</b>	<u>\$ (26,511)</u>	<u>\$ (3,184)</u>	<u>\$ 23,327</u>	<u>\$ (26,513)</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - DEBT REDUCTION FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2018*  
*with comparative actual amounts for the year ended September 30, 2017*

	<b>2018</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2017</b>
<b>Revenues</b>				
Investment earnings	\$ 77,960	\$ 105,124	\$ 27,164	\$ 55,952
Intergovernmental	441,038	248,274	(192,764)	1,165,288
Other		110,849	110,849	
<b>Total Revenues</b>	<u>518,998</u>	<u>464,247</u>	<u>(54,751)</u>	<u>1,221,240</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in				425,188
Transfers out	<u>(5,776,345)</u>	<u>(5,391,272)</u>	<u>385,073</u>	<u>(3,065,114)</u>
<b>Total other financing sources (uses)</b>	<u>(5,776,345)</u>	<u>(5,391,272)</u>	<u>385,073</u>	<u>(2,639,926)</u>
<b>Changes in fund balance</b>	<u>(5,257,347)</u>	<u>(4,927,025)</u>	<u>330,322</u>	<u>(1,418,686)</u>
<b>Fund balance - beginning</b>	<u>7,406,637</u>	<u>7,406,637</u>		<u>8,825,323</u>
<b>Fund balance - ending</b>	<u>\$ 2,149,290</u>	<u>\$ 2,479,612</u>	<u>\$ 330,322</u>	<u>\$ 7,406,637</u>

**CITY OF SUGAR LAND, TEXAS**

**SPECIAL REVENUE FUND - SUGAR LAND DEVELOPMENT CORPORATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND**

**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

*For the Year Ended September 30, 2018*

*with comparative actual amounts for the year ended September 30, 2017*

	<b>2018</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2017</b>
<b>Revenues</b>				
Sales and use taxes	\$ 6,412,500	\$ 6,686,780	\$ 274,280	\$ 5,975,714
Investment earnings	73,000	121,740	48,740	67,950
Intergovernmental	1,050,000	1,050,000		900,000
Other	150,368	317,776	167,408	388,639
<b>Total Revenues</b>	<u>7,685,868</u>	<u>8,176,296</u>	<u>490,428</u>	<u>7,332,303</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,983,416	1,380,440	602,976	2,897,786
Administrative services	2,740	2,740		663,134
<b>Debt Service:</b>				
Principal	1,845,000	1,845,000		1,790,000
Interest and other charges	2,307,096	2,307,046	50	2,397,290
Capital Outlay	385,581	115,938	269,643	279,771
<b>Total Expenditures</b>	<u>6,523,833</u>	<u>5,651,164</u>	<u>872,669</u>	<u>8,027,981</u>
Excess (deficiency) of revenues over expenditures	1,162,035	2,525,132	1,363,097	(695,678)
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(570,577)	(570,577)		(1,843,911)
<b>Total other financing sources (uses)</b>	<u>(570,577)</u>	<u>(570,577)</u>		<u>(1,843,911)</u>
<b>Changes in fund balance</b>	591,458	1,954,555	1,363,097	(2,539,589)
<b>Fund balance - beginning</b>	<u>7,660,982</u>	<u>7,660,982</u>		<u>10,200,571</u>
<b>Fund balance - ending</b>	<u>\$ 8,252,440</u>	<u>\$ 9,615,537</u>	<u>\$ 1,363,097</u>	<u>\$ 7,660,982</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - ENCLAVE AT RIVER PARK PID**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2018**  
**with comparative actual amounts for the year ended September 30, 2017**

	<b>2018</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2017</b>
<b>Revenues</b>				
Other Taxes	\$ 136,907	\$ 137,284	\$ 377	\$ 154,084
Investment earnings	3,785	7,286	3,501	1,199
<b>Total Revenues</b>	<u>140,692</u>	<u>144,570</u>	<u>3,878</u>	<u>155,283</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>22,994</u>	<u>22,993</u>	<u>(1)</u>	<u>11,192</u>
<b>Changes in fund balance</b>	163,686	167,563	3,877	166,475
<b>Fund balance - beginning</b>	<u>331,803</u>	<u>331,803</u>		<u>165,328</u>
<b>Fund balance - ending</b>	<u>\$ 495,489</u>	<u>\$ 499,366</u>	<u>\$ 3,877</u>	<u>\$ 331,803</u>

**CITY OF SUGAR LAND, TEXAS**  
***INTERNAL SERVICE FUNDS***

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Employee Benefits Fund** - This fund is used to account for all financial resources for employee benefits provided to employees except for workers' compensation and retirement.

**Fleet Replacement Fund** - This fund is used to account for all financial resources for vehicle and equipment replacement.

**High-Technology Replacement Fund** - This fund is used to account for all financial resources for electronic and radio equipment replacement.



**CITY OF SUGAR LAND, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
*September 30, 2018*

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 992,434	\$ 1,124,067	\$ 1,201,107	\$ 3,317,608
Cash with fiscal agent	588,000			588,000
Investments		1,982,610	1,478,856	3,461,466
Accounts receivable, net of allowance for doubtful accounts	379,069	18,825		397,894
Interest receivable	587	11,183	8,058	19,828
Prepaid items	20,600			20,600
<b>Total current assets</b>	<u>1,980,690</u>	<u>3,136,685</u>	<u>2,688,021</u>	<u>7,805,396</u>
<b>Non-current assets:</b>				
Capital assets being depreciated:				
Equipment and furniture		8,067,037	4,513,810	12,580,847
Intangibles			30,354	30,354
Less accumulated depreciation		(4,863,921)	(3,567,992)	(8,431,913)
<b>Total non-current assets</b>		<u>3,203,116</u>	<u>976,172</u>	<u>4,179,288</u>
<b>Total Assets</b>	<u>1,980,690</u>	<u>6,339,801</u>	<u>3,664,193</u>	<u>11,984,684</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	359,000	198,925	46,609	604,534
Claims and judgments	483,676			483,676
Total current liabilities	<u>842,676</u>	<u>198,925</u>	<u>46,609</u>	<u>1,088,210</u>
<b>Total Liabilities</b>	<u>842,676</u>	<u>198,925</u>	<u>46,609</u>	<u>1,088,210</u>
<b>Net Position</b>				
Investment in capital assets		3,203,116	976,172	4,179,288
Unrestricted	1,138,014	2,937,760	2,641,412	6,717,186
<b>Total Net Position</b>	<u>\$ 1,138,014</u>	<u>\$ 6,140,876</u>	<u>\$ 3,617,584</u>	<u>\$ 10,896,474</u>

**CITY OF SUGAR LAND, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended September 30, 2018**

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Revenues</b>				
Charges for services	\$ 12,204,455	\$ 1,709,418	\$ 1,284,564	\$ 15,198,437
<b>Total operating revenues</b>	<u>12,204,455</u>	<u>1,709,418</u>	<u>1,284,564</u>	<u>15,198,437</u>
<b>Operating Expenses</b>				
Personnel services		24,220		24,220
Supplies and materials		137,530	182,640	320,170
Contractual services	93,053	195	78,666	171,914
Repairs and maintenance			34,443	34,443
Insurance claims	12,892,819			12,892,819
Depreciation		675,220	461,642	1,136,862
<b>Total operating expenses</b>	<u>12,985,872</u>	<u>837,165</u>	<u>757,391</u>	<u>14,580,428</u>
Operating income (loss)	<u>(781,417)</u>	<u>872,253</u>	<u>527,173</u>	<u>618,009</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest and investment revenue	5,156	29,548	22,082	56,786
Gain (loss) on disposal of capital assets		151,647	706	152,353
<b>Total non-operating revenue (expenses)</b>	<u>5,156</u>	<u>181,195</u>	<u>22,788</u>	<u>209,139</u>
Income (loss) before transfers	(776,261)	1,053,448	549,961	827,148
Transfers in	<u>813,200</u>			<u>813,200</u>
Change in net position	36,939	1,053,448	549,961	1,640,348
<b>Total net position - beginning</b>	<u>(704,834)</u>	<u>5,087,428</u>	<u>3,067,623</u>	<u>7,450,217</u>
Prior Period Adjustment	<u>1,805,909</u>			<u>1,805,909</u>
<b>Total net position - ending</b>	<u>\$ 1,138,014</u>	<u>\$ 6,140,876</u>	<u>\$ 3,617,584</u>	<u>\$ 10,896,474</u>

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended September 30, 2018

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Receipts from interfund charges for services	\$ 12,055,796	\$ 1,690,713	\$ 1,284,564	\$ 15,031,073
Disbursed for personnel services		(24,220)		(24,220)
Disbursed for goods and services	(12,704,399)	59,266	(254,433)	(12,899,566)
<b>Net cash provided (used) by operating activities</b>	<b>(648,603)</b>	<b>1,725,759</b>	<b>1,030,131</b>	<b>2,107,287</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers from other funds	813,200			813,200
Payment to fiscal agent	(100,000)			(100,000)
<b>Net cash provided by (used by) noncapital financing activities</b>	<b>713,200</b>			<b>713,200</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from the sale of equipment		158,607	706	159,313
Acquisition and construction of capital assets		(947,627)	(412,760)	(1,360,387)
<b>Net cash provided (used) by capital and related financing activities</b>		<b>(789,020)</b>	<b>(412,054)</b>	<b>(1,201,074)</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of investments		(92,764)		(92,764)
Sale of Investments			512,233	512,233
Interest received	4,569	21,753	20,345	46,667
<b>Net cash provided (used) by investing activities</b>	<b>4,569</b>	<b>(71,011)</b>	<b>532,578</b>	<b>466,136</b>
<b>Net increase/(decrease) in cash and equivalents</b>	<b>69,166</b>	<b>865,728</b>	<b>1,150,655</b>	<b>2,085,549</b>
Cash and equivalents, beginning of year	923,268	258,339	50,452	1,232,059
<b>Cash and equivalents, at end of year</b>	<b>\$ 992,434</b>	<b>\$ 1,124,067</b>	<b>\$ 1,201,107</b>	<b>\$ 3,317,608</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (781,417)	\$ 872,253	\$ 527,173	\$ 618,009
<b>Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:</b>				
Depreciation		675,220	461,642	1,136,862
(Increase) decrease in accounts receivable	14,866	(18,705)		(3,839)
(Increase) decrease in prepaid items	60,305			60,305
Increase (decrease) in accounts payable	221,168	196,991	41,316	459,475
Increase (decrease) in claims and judgments	(163,525)			(163,525)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (648,603)</b>	<b>\$ 1,725,759</b>	<b>\$ 1,030,131</b>	<b>\$ 2,107,287</b>

**DISCRETELY PRESENTED COMPONENT UNITS  
FUND BASED FINANCIAL STATEMENTS**

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**BALANCE SHEETS - GOVERNMENTAL FUNDS**  
**September 30, 2018**

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 3,290,751	\$ 40,478	\$ 20,073	\$ 2,273,020	\$ 5,624,322
Investments	2,714,862				2,714,862
Accounts receivable, net of allowance for doubtful accounts	1,144,311	2,251	2,240	4,013	1,152,815
Interest receivable	30,551	19		3,332	33,902
Prepaid items	5,935				5,935
Restricted cash and cash equivalents	1,961,243		30,445		1,991,688
Restricted investments	1,489,654				1,489,654
<b>Total Assets</b>	<b>10,637,307</b>	<b>42,748</b>	<b>52,758</b>	<b>2,280,365</b>	<b>13,013,178</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	483,673		12,342		496,015
<b>Total Liabilities</b>	<b>483,673</b>		<b>12,342</b>		<b>496,015</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid items	5,935				5,935
Restricted:					
Debt service	3,450,897				3,450,897
Development activities	6,696,802	42,748	40,416	2,280,365	9,060,331
<b>Total Fund Balances</b>	<b>10,153,634</b>	<b>42,748</b>	<b>40,416</b>	<b>2,280,365</b>	<b>12,517,163</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,637,307</b>	<b>\$ 42,748</b>	<b>\$ 52,758</b>	<b>\$ 2,280,365</b>	<b>\$ 13,013,178</b>
<b>Reconciliation from Fund Balance to Net Position</b>					
<b>Fund Balance</b>	<b>\$ 10,153,634</b>	<b>\$ 42,748</b>	<b>\$ 40,416</b>	<b>\$ 2,280,365</b>	<b>\$ 12,517,163</b>
Plus deferred outflows of resources	87,770				87,770
Less long-term liabilities	(30,186,578)				(30,186,578)
Less interest payable	(172,974)				(172,974)
<b>Net Position</b>	<b>\$(20,118,148)</b>	<b>\$ 42,748</b>	<b>\$ 40,416</b>	<b>\$ 2,280,365</b>	<b>\$(17,754,619)</b>

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2018**

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total Component Units</b>
<b>Revenues</b>					
<b>Taxes:</b>					
Property taxes	\$	\$ 1,546,935	\$ 624,568	\$ 697,569	\$ 2,869,072
Sales tax	6,686,780				6,686,780
Intergovernmental	156,156				156,156
Investment earnings	140,334	6,680	289	29,722	177,025
Other	80,000				80,000
<b>Total Revenues</b>	<u>7,063,270</u>	<u>1,553,615</u>	<u>624,857</u>	<u>727,291</u>	<u>9,969,033</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	1,014,460	1,531,653	650,168	50,500	3,246,781
Capital Outlay	1,809,812				1,809,812
<b>Debt Service:</b>					
Principal	1,960,000				1,960,000
Interest and fiscal charges	<u>1,391,031</u>				<u>1,391,031</u>
<b>Total Expenditures</b>	<u>6,175,303</u>	<u>1,531,653</u>	<u>650,168</u>	<u>50,500</u>	<u>8,407,624</u>
<b>Revenues over (under) expenditures</b>	887,967	21,962	(25,311)	676,791	1,561,409
<b>Fund balance - beginning</b>	<u>9,265,667</u>	<u>20,786</u>	<u>65,727</u>	<u>1,603,574</u>	<u>10,955,754</u>
<b>Fund balances - ending</b>	<u>\$ 10,153,634</u>	<u>\$ 42,748</u>	<u>\$ 40,416</u>	<u>\$ 2,280,365</u>	<u>\$ 12,517,163</u>
<b>Reconciliation from changes in fund balance to changes in net position</b>					
Change in fund balance	\$ 887,967	\$ 21,962	\$ (25,311)	\$ 676,791	\$ 1,561,409
Add principal payments	1,960,000				1,960,000
Add other changes in long-term assets and liabilities	<u>19,140</u>				<u>19,140</u>
<b>Changes in Net Position</b>	<u>\$ 2,867,107</u>	<u>\$ 21,962</u>	<u>\$ (25,311)</u>	<u>\$ 676,791</u>	<u>\$ 3,540,549</u>

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**CITY OF SUGAR LAND, TEXAS**  
**UNAUDITED STATISTICAL SECTION**

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

	<b>Page</b>
<b>Financial Trends</b>	128
These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time.	
<b>Revenue Capacity</b>	138
These schedules contain information to help the reader assess the City's most significant local revenue sources: sales and property taxes.	
<b>Debt Capacity</b>	147
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	152
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	156
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



**CITY OF SUGAR LAND, TEXAS****NET POSITION BY COMPONENT****LAST TEN FISCAL YEARS***Amounts in (000's)**(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 170,519	\$ 161,857	\$ 213,685	\$ 255,293
Restricted	18,259	21,535	14,705	18,863
Unrestricted	29,931	28,639	26,882	27,698
<b>Total governmental activities net position</b>	<b>\$ 218,709</b>	<b>\$ 212,031</b>	<b>\$ 255,272</b>	<b>\$ 301,854</b>
<b>Business-type Activities</b>				
Net investment in capital assets	\$ 210,123	\$ 218,494	\$ 224,092	\$ 240,741
Restricted	5,478	6,963	7,475	7,926
Unrestricted	8,613	10,200	15,760	9,848
<b>Total business-type net position</b>	<b>\$ 224,214</b>	<b>\$ 235,657</b>	<b>\$ 247,327</b>	<b>\$ 258,515</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 380,643	\$ 380,352	\$ 437,777	\$ 496,034
Restricted	23,738	28,498	22,180	26,789
Unrestricted	38,543	38,838	42,642	37,546
<b>Total primary government net position</b>	<b>\$ 442,924</b>	<b>\$ 447,688</b>	<b>\$ 502,599</b>	<b>\$ 560,369</b>

\* In fiscal year 2018, the City annexed the neighborhoods of Greatwood and New Territory, and dissolved the associated Municipal Utility Districts effective December 12, 2017.

Fiscal Year					
2013	2014	2015	2016	2017	2018*
\$ 280,082	\$ 282,719	\$ 268,582	\$ 304,720	\$ 340,298	\$ 358,639
20,305	28,311	51,879	24,902	21,152	19,535
32,551	37,503	24,026	37,413	23,084	23,129
<u>\$ 332,937</u>	<u>\$ 348,533</u>	<u>\$ 344,487</u>	<u>\$ 367,035</u>	<u>\$ 384,534</u>	<u>\$ 401,303</u>
\$ 231,676	\$ 229,356	\$ 224,544	\$ 225,650	\$ 228,369	\$ 252,642
8,068	26,945	27,736	8,549	9,116	9,770
23,675	16,718	22,722	47,766	45,383	48,149
<u>\$ 263,418</u>	<u>\$ 273,019</u>	<u>\$ 275,002</u>	<u>\$ 281,965</u>	<u>\$ 282,868</u>	<u>\$ 310,561</u>
\$ 511,757	\$ 512,075	\$ 493,126	\$ 530,370	\$ 568,667	\$ 611,281
28,372	55,256	79,615	33,451	30,268	29,305
56,226	54,221	46,748	85,179	68,467	71,278
<u>\$ 596,355</u>	<u>\$ 621,552</u>	<u>\$ 619,489</u>	<u>\$ 649,000</u>	<u>\$ 667,402</u>	<u>\$ 711,864</u>

**CITY OF SUGAR LAND, TEXAS**

**CHANGES IN NET POSITION**

*Last Ten Fiscal Years*

*(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General government	\$ 14,638,050	\$ 11,950,794	\$ 11,969,433	\$ 11,463,677
Administrative services	15,469,507	14,617,875	12,721,478	9,802,035
Public safety - Police	16,045,992	17,126,183	18,095,251	18,354,251
Public safety - Fire	14,530,795	10,325,782	10,199,579	10,898,603
Public safety - EMS				
Public works	14,136,657	16,673,481	17,027,897	22,311,568
Parks and recreation	3,944,900	9,159,332	7,264,499	8,504,303
Community development	3,812,432	4,073,334	4,038,545	4,855,764
Environmental and neighborhood services				
Interest on long-term debt	5,490,374	5,394,340	6,555,667	5,908,721
<b>Total governmental activities expenses</b>	<b>88,068,707</b>	<b>89,321,121</b>	<b>87,872,349</b>	<b>92,098,922</b>
<b>Business-Type Activities:</b>				
Utility	21,943,160	22,248,954	26,487,388	28,574,352
Regional airport	9,879,544	11,366,997	14,874,179	16,002,860
Surface Water				
Solid waste management	4,538,631	5,279,327	5,305,970	5,087,731
<b>Total business-type activities expenses</b>	<b>36,361,335</b>	<b>38,895,278</b>	<b>46,667,537</b>	<b>49,664,943</b>
<b>Total primary government expenses</b>	<b>\$ 124,430,042</b>	<b>\$ 128,216,399</b>	<b>\$ 134,539,886</b>	<b>\$ 141,763,865</b>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
<b>Charges for services:</b>				
Administrative services	\$ 3,839,810	\$ 3,352,232	\$ 3,916,555	\$ 3,663,149
Public safety - Fire	1,908,129	1,552,253	1,526,340	2,102,494
Public safety - EMS				
Community development	2,364,539	2,188,436	2,404,638	2,376,127
Other	1,967,236	3,608,192	3,534,161	3,231,665
Operating grants and contributions	5,139,071	1,480,490	1,019,323	1,566,549
Capital grants and contributions	42,710,113	8,420,807	42,497,257	43,196,769
<b>Total governmental activities program revenues</b>	<b>57,928,898</b>	<b>20,602,410</b>	<b>54,898,274</b>	<b>56,136,753</b>
<b>Business-Type Activities</b>				
<b>Charges for services:</b>				
Utility	29,085,428	27,593,557	35,625,109	40,543,433
Regional airport	8,843,750	11,084,688	14,355,810	15,675,468
Surface Water				
Solid waste management	4,497,802	4,859,770	5,264,072	5,068,656
Operating grants and contributions	59,880	216,570	354,865	84,271
Capital grants and contributions	12,531,211	12,163,511	8,193,030	6,297,452
<b>Total business-type activities program revenues</b>	<b>55,018,071</b>	<b>55,918,096</b>	<b>63,792,886</b>	<b>67,669,280</b>
<b>Total primary government program revenues</b>	<b>\$ 112,946,969</b>	<b>\$ 76,520,506</b>	<b>\$ 118,691,160</b>	<b>\$ 123,806,033</b>

Fiscal Year					
2013	2014	2015	2016	2017	2018*
\$ 13,087,580	\$ 15,675,644	\$ 12,886,353	\$ 18,591,072	\$ 23,393,933	\$ 19,825,982
10,471,115	7,876,517	9,067,022	6,643,488	5,514,367	5,877,451
18,333,422	19,541,680	21,128,023	22,979,425	26,137,845	26,691,650
10,838,009	12,045,062	13,164,239	14,195,523	14,196,831	14,516,604
		1,916,547	1,722,037	1,803,131	2,109,566
23,481,443	24,894,769	30,122,770	22,827,677	27,074,624	37,700,186
8,177,350	7,916,451	8,286,024	6,215,405	7,870,047	10,891,960
4,667,336	5,188,471	5,672,387	5,484,522	5,563,555	5,570,870
			5,902,886	6,064,691	6,138,127
5,066,337	5,910,083	10,243,695	9,778,640	9,393,095	9,810,360
94,122,592	99,048,677	112,487,060	114,340,675	127,012,119	139,132,756
39,919,147	22,848,223	27,923,518	29,391,413	29,341,563	39,996,537
16,633,872	16,828,870	14,335,885	12,485,217	14,345,583	16,239,202
6,670,417	12,098,623	16,079,024	17,125,862	16,812,428	19,857,855
5,067,548	5,147,195	5,625,859	5,926,813	6,196,978	7,980,124
68,290,984	56,922,911	63,964,286	64,929,305	66,696,552	84,073,718
\$ 162,413,576	\$ 155,971,588	\$ 176,451,346	\$ 179,269,980	\$ 193,708,671	\$ 223,206,474
\$ 3,261,324	\$ 2,678,310	\$ 6,906,002	\$ 8,522,761	\$ 6,598,604	\$ 7,532,287
2,229,152	2,233,714	2,369,089	2,833,491	3,139,758	1,390,232
		459,223	1,132,847	1,426,438	1,634,675
2,817,871	3,033,205	3,494,806	3,242,529	3,061,505	3,388,539
2,748,396	4,766,369	4,967,637	4,164,196	3,830,309	5,211,165
1,517,342	936,559	2,831,268	1,740,054	1,824,906	2,215,263
27,028,874	9,004,691	11,071,624	19,053,728	29,996,719	15,378,644
39,602,959	22,652,848	32,099,649	40,689,606	49,878,239	36,750,805
42,958,217	31,417,468	29,844,425	32,252,245	28,409,379	35,868,034
16,576,205	16,939,277	13,747,794	11,830,391	13,539,743	15,449,972
4,184,027	12,884,852	13,192,793	13,888,252	14,049,110	14,661,214
5,007,131	5,030,491	5,770,866	5,950,568	6,475,296	7,974,887
65,091	73,199	131,567	50,000	50,000	195,438
11,560,813	6,641,939	3,020,185	9,417,603	6,675,068	11,538,729
80,351,484	72,987,226	65,707,630	73,389,059	69,198,596	85,688,274
\$ 119,954,443	\$ 95,640,074	\$ 97,807,279	\$ 114,078,665	\$ 119,076,835	\$ 122,439,079

**CITY OF SUGAR LAND, TEXAS**  
**CHANGES IN NET POSITION** *(continued)*  
*Last Ten Fiscal Years*  
*(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (30,139,809)	\$ (68,718,711)	\$ (32,974,075)	\$ (35,962,169)
Business-type activities	18,656,736	17,022,818	17,125,349	18,004,337
<b>Total primary government net expense</b>	<b>\$ (11,483,073)</b>	<b>\$ (51,695,893)</b>	<b>\$ (15,848,726)</b>	<b>\$ (17,957,832)</b>
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental Activities:</b>				
<b>Taxes:</b>				
Property taxes	\$ 26,207,576	\$ 29,128,113	\$ 27,539,737	\$ 28,282,258
Sales tax	34,823,327	33,039,840	35,086,830	38,239,215
Franchise and other taxes	6,377,523	6,611,934	6,751,900	7,472,103
Investment earnings	1,194,603	467,715	360,902	250,959
Miscellaneous	729,542	849,701	756,532	1,054,383
Transfers	5,590,028	5,849,543	5,718,716	7,245,571
Special Item		(13,906,224)		
<b>Total governmental activities</b>	<b>74,922,599</b>	<b>62,040,622</b>	<b>76,214,617</b>	<b>82,544,489</b>
<b>Business-Type Activities:</b>				
Investment earnings	473,837	269,249	263,593	429,350
Miscellaneous				
Transfers	(5,590,028)	(5,849,543)	(5,718,716)	(7,245,571)
Special item				
<b>Total business-type activities</b>	<b>(5,116,191)</b>	<b>(5,580,294)</b>	<b>(5,455,123)</b>	<b>(6,816,221)</b>
<b>Total primary government</b>	<b>\$ 69,806,408</b>	<b>\$ 56,460,328</b>	<b>\$ 70,759,494</b>	<b>\$ 75,728,268</b>
<b>Changes in Net Position:</b>				
Governmental activities	\$ 44,782,790	\$ (6,678,089)	\$ 43,240,542	\$ 46,582,320
Business-type activities	13,540,545	11,442,524	11,670,226	11,188,116
<b>Total primary government</b>	<b>\$ 58,323,335</b>	<b>\$ 4,764,435</b>	<b>\$ 54,910,768</b>	<b>\$ 57,770,436</b>

\* In fiscal year 2018, the City annexed the neighborhoods of Greatwood and New Territory, and dissolved the associated Municipal Utility Districts (MUDs) effective December 12, 2017. Operations for this fiscal year include the activity from the MUDs from the beginning of the fiscal year to the date of the annexation.

Fiscal Year					
2013	2014	2015	2016	2017	2018*
\$ (54,519,633)	\$ (76,395,829)	\$ (80,387,411)	\$ (73,651,069)	\$ (77,133,880)	\$ (102,381,951)
12,060,500	16,064,315	1,743,344	8,459,754	2,502,044	1,614,556
<u>\$ (42,459,133)</u>	<u>\$ (60,331,514)</u>	<u>\$ (78,644,067)</u>	<u>\$ (65,191,315)</u>	<u>\$ (74,631,836)</u>	<u>\$ (100,767,395)</u>
\$ 29,920,274	\$ 31,367,793	\$ 34,205,770	\$ 37,227,640	\$ 39,052,391	\$ 44,092,389
39,790,138	43,453,673	45,320,979	45,967,293	41,330,120	47,038,175
8,019,976	8,373,935	8,398,820	8,231,034	8,535,339	9,196,843
236,117	240,913	1,062,965	1,089,499	826,905	1,106,332
1,328,239	1,393,438	1,297,768	1,507,896	2,645,117	2,642,416
7,287,990	7,161,781	(1,300,673)	2,176,006	2,243,212	3,093,659
<u>86,582,734</u>	<u>91,991,533</u>	<u>88,985,629</u>	<u>96,199,368</u>	<u>94,633,084</u>	<u>107,169,814</u>
218,645	117,683	531,396	599,435	561,113	1,077,401
404,274	580,735	59,565	79,707	83,106	44,386
(7,287,990)	(7,161,781)	1,300,673	(2,176,006)	(2,243,212)	(3,093,659)
<u>(6,665,071)</u>	<u>(6,463,363)</u>	<u>1,891,634</u>	<u>(1,496,864)</u>	<u>(1,598,993)</u>	<u>(2,410,372)</u>
<u>\$ 79,917,663</u>	<u>\$ 85,528,170</u>	<u>\$ 90,877,263</u>	<u>\$ 94,702,504</u>	<u>\$ 93,034,091</u>	<u>\$ 102,787,570</u>
\$ 32,063,101	\$ 15,595,704	\$ 8,598,218	\$ 22,548,299	\$ 17,499,204	\$ 4,787,863
5,395,429	9,600,952	3,634,978	6,962,890	903,051	(2,767,688)
<u>\$ 37,458,530</u>	<u>\$ 25,196,656</u>	<u>\$ 12,233,196</u>	<u>\$ 29,511,189</u>	<u>\$ 18,402,255</u>	<u>\$ 2,020,175</u>

**CITY OF SUGAR LAND****FUND BALANCES OF GOVERNMENTAL FUNDS***Last Ten Fiscal Years**(Modified Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>General fund</b>				
Nonspendable:				
Inventories	\$ 160,160	\$ 170,230	\$ 169,208	\$ 160,635
Prepaid items	49,701	48,690	49,727	43,861
Committed				
Assigned	877,578	1,259,302	638,523	652,316
Unassigned	26,649,204	26,400,935	25,359,638	24,260,117
<b>Total General fund</b>	<b>\$27,736,643</b>	<b>\$27,879,157</b>	<b>\$26,217,096</b>	<b>\$25,116,929</b>
<b>All other governmental funds</b>				
Nonspendable:				
Inventories	\$	\$	\$	\$
Prepaid items	2,740	2,740	9,740	2,740
Restricted:				
Debt service	7,473,977	9,822,105	7,602,464	7,397,649
Capital projects	8,409,874	39,154,554	30,931,980	15,443,725
Economic development activities	9,317,941	9,856,844	4,333,696	7,689,398
Public safety	676,382	1,053,827	1,488,292	1,779,756
Tourism & marketing	1,937,635	2,348,244	2,681,505	3,228,805
Committed				
Unassigned				
<b>Total all other governmental funds</b>	<b>\$27,818,549</b>	<b>\$62,238,314</b>	<b>\$47,047,677</b>	<b>\$35,542,073</b>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 209,793	\$ 217,124	\$ 204,263	\$ 195,050	\$ 211,199	\$ 217,019
30,008	25,655	18,328	27,701	255,751	54,161
463,599	3,091,704	146,728	411,849	376,995	341,202
219,357	385,205	339,946	332,452	272,224	409,335
25,740,747	24,544,824	28,085,267	27,575,295	27,980,279	34,043,167
<u>\$ 26,663,504</u>	<u>\$ 28,264,512</u>	<u>\$ 28,794,532</u>	<u>\$ 28,542,347</u>	<u>\$ 29,096,448</u>	<u>\$ 35,064,884</u>
\$ 2,740	\$ 2,740	\$ 2,740	\$ 18,353	\$ 11,735	\$ 7,935
9,419,630	11,448,975	11,892,292	18,881,941	13,287,453	9,242,690
3,517,678	23,785,846	60,550,768	14,122,714	18,346,186	8,700,056
7,019,867	11,048,740	37,689,753	5,656,856	7,655,992	9,608,501
230,282	209,920	202,439	228,335	215,855	278,116
4,269,302	5,359,797	3,533,713	1,053,237	1,395,355	1,786,346
			18,273,467	7,768,052	2,997,650
		(17,434)		(26,513)	(3,184)
<u>\$ 24,459,499</u>	<u>\$ 51,856,018</u>	<u>\$ 113,854,271</u>	<u>\$ 58,234,903</u>	<u>\$ 48,654,115</u>	<u>\$ 32,625,146</u>



**CITY OF SUGAR LAND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
*Last Ten Fiscal Years*  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year			
	2009	2010	2011	2012
<b>Revenues</b>				
<b>Taxes:</b>				
General property	\$ 26,145,691	\$ 29,102,845	\$ 27,588,283	\$ 28,242,085
Sales and use taxes	36,389,644	34,581,479	36,857,302	40,111,821
Franchise taxes	4,661,287	4,920,376	4,731,821	5,161,877
Licenses and permits	2,160,999	2,163,562	2,371,944	2,332,393
Fines and forfeitures	3,088,489	3,273,032	3,874,845	3,399,284
Charges for services	4,849,709	3,694,519	3,399,457	3,182,908
Investment earnings	1,128,345	461,633	352,469	242,856
Intergovernmental	12,865,312	8,183,086	30,102,390	29,941,993
Other	364,509	308,694	5,345,683	1,193,356
<b>Total Revenues</b>	<u>91,653,985</u>	<u>86,689,226</u>	<u>114,624,194</u>	<u>113,808,573</u>
<b>Expenditures</b>				
General government	9,451,503	10,682,661	10,421,139	10,350,520
Administrative services	14,039,145	12,200,260	10,728,359	6,665,760
Public safety	30,413,697	26,263,330	28,858,550	27,852,455
Public works	6,205,250	9,397,495	10,092,059	15,280,951
Parks and recreation	2,960,890	8,088,715	6,131,140	7,245,735
Community development	3,747,772	3,981,327	3,965,737	4,781,203
Environmental and neighborhood services				
<b>Debt Service:</b>				
Principal	11,104,420	12,458,335	14,744,007	13,643,295
Interest and other charges	5,323,855	5,875,464	6,491,477	5,769,576
Bond issuance costs	17,379	611,160		
Capital outlay	18,745,284	12,099,869	44,225,175	38,821,615
<b>Total Expenditures</b>	<u>102,009,195</u>	<u>101,658,616</u>	<u>135,657,643</u>	<u>130,411,110</u>
Excess of revenues over (under) expenditures	<u>(10,355,210)</u>	<u>(14,969,390)</u>	<u>(21,033,449)</u>	<u>(16,602,537)</u>
<b>Other Financing Sources (Uses)</b>				
Certificates of obligation issued		40,775,000		
General obligation bonds issued		2,435,000		
Tax Note issued				
Revenue bonds issued				
Refunding bonds issued		26,810,000		9,440,000
Premium (discount) on debt issued		1,707,730		806,260
Payments to refunded bond escrow agent		(28,296,220)		(10,328,482)
Capital leases and other debt issued	623,300	1,709,042		
Proceeds of the sale of capital assets	1,668,756	78,465	125,995	90,953
Transfers in	10,350,336	10,438,670	17,193,975	13,518,223
Transfers (out)	(6,087,227)	(6,126,018)	(13,139,219)	(9,530,188)
<b>Total other financing sources (uses)</b>	<u>6,555,165</u>	<u>49,531,669</u>	<u>4,180,751</u>	<u>3,996,766</u>
Net change in fund balances	<u>\$ (3,800,045)</u>	<u>\$ 34,562,279</u>	<u>\$ (16,852,698)</u>	<u>\$ (12,605,771)</u>
Debt service as a percentage of noncapital expenditures	19.1%	20.6%	23.9%	21.4%

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 29,874,615	\$ 31,356,582	\$ 34,073,015	\$ 37,310,936	\$ 38,999,063	\$ 43,924,495
39,344,519	43,008,054	44,975,136	45,821,869	41,829,998	46,807,458
8,019,976	8,373,935	8,398,820	8,231,034	8,535,339	9,196,843
2,817,871	3,033,205	3,494,806	3,242,529	3,052,646	3,392,020
3,364,798	3,964,053	3,956,657	3,741,662	3,983,863	4,681,871
3,649,563	4,477,416	9,792,915	11,732,687	11,668,937	9,803,954
230,542	235,034	1,030,032	1,050,958	803,175	1,049,546
4,477,965	14,014,873	4,853,727	4,295,673	21,608,448	8,469,413
1,444,727	1,300,331	4,676,006	6,335,230	4,344,488	3,742,667
93,224,576	109,763,483	115,251,114	121,762,578	134,825,957	131,068,267
12,019,511	13,934,579	13,932,805	17,263,024	19,441,297	18,828,683
7,708,191	7,743,921	9,221,555	7,167,251	6,807,905	6,277,823
27,951,639	29,573,636	38,688,191	36,894,350	39,819,840	41,773,376
14,456,178	13,947,304	17,764,680	12,004,180	15,014,862	17,704,168
6,782,321	6,726,036	5,452,923	5,107,971	5,383,089	5,960,126
4,592,647	4,917,761	5,583,223	5,155,978	5,163,724	5,269,134
			4,892,216	5,112,858	5,143,190
12,529,510	12,216,112	13,339,382	14,565,041	16,149,483	21,343,344
5,261,161	5,717,937	7,716,310	9,282,752	10,159,604	11,122,619
	322,504	2,012,869	629,239	355,510	
15,262,218	21,672,372	55,311,453	89,073,807	51,470,423	10,890,406
106,563,376	116,772,162	169,023,391	202,035,809	174,878,595	144,312,869
(13,338,800)	(7,008,679)	(53,772,277)	(80,273,231)	(40,052,638)	(13,244,602)
	24,440,000	52,115,000	19,190,000	19,060,000	
		13,010,000		7,570,000	
	7,200,000	38,265,000			
4,295,000		28,940,000	32,120,000		
491,941	201,566	11,469,874	6,464,472	2,045,464	
(4,758,878)		(32,902,683)	(36,935,787)		
		3,510,000	1,350,000	107,275	840,000
78,516	54,949	54,099	36,987		36,569
16,183,645	13,794,353	12,979,491	20,089,727	11,854,100	12,180,115
(10,987,848)	(9,684,662)	(11,140,231)	(17,913,721)	(9,610,888)	(9,872,615)
5,302,376	36,006,206	116,300,550	24,401,678	31,025,951	3,184,069
\$ (8,036,424)	\$ 28,997,527	\$ 62,528,273	\$ (55,871,553)	\$ (9,026,687)	\$ (10,060,533)
19.5%	19.1%	19.1%	21.2%	21.4%	24.1%

**CITY OF SUGAR LAND, TEXAS**

**TAXABLE SALES**

*Most Recent Calendar Year and Nine Years Ago*

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Retail trade	\$ 845,579,899	\$ 817,695,030	\$ 820,003,254	\$ 867,111,564
Accommodation/Food Services	192,532,921	192,249,613	201,788,407	218,501,058
Wholesale trade	145,219,665	180,406,668	178,624,633	187,615,472
Construction	76,785,094	36,651,229	25,341,501	19,921,962
Information	58,277,031	38,724,172	42,562,635	55,552,360
Professional/Scientific/Technical Services	44,337,155	47,152,301	50,418,078	56,999,807
Arts/Entertainment/Recreation	40,622,857	39,254,647	39,319,467	42,862,934
Manufacturing	33,737,478	29,117,441	18,700,212	20,258,143
Other services (except public administration)	25,214,386	26,341,315	25,115,775	25,601,706
Admin/Support/Waste Mgmt./Remediation Services	18,437,657	18,392,831	19,456,520	23,205,438
Real Estate/Rental/Leasing	20,196,130	24,123,822	28,589,598	27,704,045
Utilities	15,208,544	14,793,208	31,999,808	58,554,971
Management of Companies/Enterprises	5,144,574	117,446	60,298	616,716
Transportation/Warehousing	1,049,859	1,007,624	958,673	1,154,717
Health Care/Social Assistance	1,645,260	2,604,444	3,180,679	3,974,677
Finance/Insurance	1,673,015	2,060,437	1,690,868	4,640,404
Educational services	899,505	953,485	884,432	991,469
Mining/Quarrying/Oil and Gas Extraction	501,668,924	314,960,195	235,249	29,244,015
Public administration			2,506,111	5,243,483
Agriculture/Forestry/Fishing/Hunting				2,706
Other		17,250	37,492	26,574
	<u>\$ 2,028,229,954</u>	<u>\$ 1,786,623,158</u>	<u>\$ 1,491,473,690</u>	<u>\$ 1,649,784,221</u>

Source of information: Texas State Comptrollers Office.

<https://mycpa.cpa.state.tx.us/allocation/HistSales.jsp>

Sales tax rates for the past ten fiscal years were as follows:

City of Sugar Land	1.50%
Sugar Land Development Corporation	0.25%
Sugar Land 4B Corporation	0.25%
<b>Totals</b>	<u><b>2.00%</b></u>

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 929,146,373	\$ 1,013,038,055	\$ 1,079,111,307	\$ 1,112,422,397	\$ 1,078,154,112	\$ 1,107,045,921
250,015,141	266,588,831	291,440,468	306,003,246	310,863,946	333,828,851
187,011,775	223,242,793	322,215,101	264,383,272	203,846,328	91,137,977
32,689,492	34,937,314	31,891,454	32,514,909	34,515,325	22,812,465
55,714,105	58,052,627	65,549,620	77,592,685	90,100,073	94,842,740
55,122,521	50,596,341	70,107,578	73,059,491	70,067,880	83,684,771
50,293,772	50,560,192	47,548,675	49,334,544	48,468,763	51,106,601
29,071,293	33,219,238	52,646,578	33,044,113	35,093,475	51,980,628
27,119,294	28,242,044	30,831,362	30,318,512	26,317,822	29,400,115
23,316,739	26,184,607	30,250,196	26,562,888	28,754,310	138,907,539
25,874,568	18,062,334	25,860,657	44,888,541	68,015,167	61,691,905
41,645,585	32,630,922	42,308,231	50,970,885	54,203,886	85,489,356
403,809	394,466	470,557	2,196,489	1,579,909	1,142,959
1,007,418	1,721,390	5,214,426	2,306,433	1,836,865	3,125,489
5,304,237	3,994,579	4,539,906	5,201,086	4,606,933	4,881,867
6,248,890	4,575,685	5,420,994	7,515,705	8,103,032	11,304,921
1,227,275	1,568,185	1,714,360	1,626,077	1,659,343	1,513,260
7,157,655	10,513,820	14,160,548	10,431,168	7,323,000	32,799,761
4,931,239	4,958,782	5,096,682	5,284,355	5,432,006	5,763,562
				1,886	
2,382					
<u>\$ 1,733,303,563</u>	<u>\$ 1,863,082,205</u>	<u>\$ 2,126,378,700</u>	<u>\$ 2,135,656,796</u>	<u>\$ 2,078,944,061</u>	<u>\$ 2,212,460,688</u>

**CITY OF SUGAR LAND****ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY***Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Less Tax Exempt Real Property</b>
		<b>Residential Property</b>	<b>Commercial Property</b>	<b>Motor Vehicles</b>	<b>Other</b>	
2009	2008	\$ 5,964,689,707	\$ 2,940,782,650	\$ 63,824,522	\$ 1,148,686,784	\$ 717,583,098
2010	2009	6,599,016,544	3,151,323,744	49,058,148	1,120,834,557	741,758,020
2011	2010	6,637,355,844	3,128,749,343	49,118,861	1,095,619,013	725,421,976
2012	2011	6,809,072,671	4,251,649,252	44,595,732	21,840,700	712,702,870
2013	2012	6,969,923,228	4,416,404,289	46,289,655	21,319,710	832,310,358
2014	2013	7,304,799,346	4,716,532,408	46,326,301	11,026,160	834,025,711
2015	2014	7,848,719,852	4,902,444,421	40,119,210	10,982,250	850,115,704
2016	2015	8,753,398,998	5,250,244,090	13,465,326	10,934,610	890,919,215
2017	2016	9,356,751,552	5,577,510,842	61,980,101	10,933,960	1,053,008,824
2018	2017	9,629,528,349	5,821,685,395	100,439,699	11,030,700	1,125,507,638

Source: Budget Department of the City.

Note: All properties are assessed at 100% of actual taxable value. Tax rates are per \$100 of assessed value.

<b>Less Other Exemptions and Abatements</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
\$ 674,751,010	\$ 8,725,649,555	0.30000	\$ 8,725,649,555	100.00%
889,528,924	9,288,946,049	0.30000	9,288,946,049	100.00%
908,796,522	9,276,624,563	0.30000	9,276,624,563	100.00%
915,453,424	9,499,002,061	0.30245	9,499,002,061	100.00%
921,195,348	9,700,431,176	0.30895	9,700,431,176	100.00%
940,543,105	10,304,115,399	0.30895	10,304,115,399	100.00%
1,006,806,921	10,945,343,108	0.31595	10,945,343,108	100.00%
1,093,598,345	12,043,525,464	0.31595	12,043,525,464	100.00%
1,334,356,794	12,619,810,837	0.31595	12,619,810,837	100.00%
1,457,960,326	12,979,216,179	0.31762	12,979,216,179	100.00%

# CITY OF SUGAR LAND, TEXAS

## PROPERTY TAX RATES (A)

### DIRECT AND OVERLAPPING GOVERNMENTS (B)

Last Ten Fiscal Years

Fiscal Year Tax Year	2009 2008	2010 2009	2011 2010	2012 2011
<b>Tax Rates</b>				
City of Sugar Land				
Operating tax rate	\$ 0.15575	\$ 0.16000	\$ 0.16500	\$ 0.16635
Debt service tax rate	0.14425	0.14000	0.13500	0.13610
Total tax rate	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30245</u>
Fort Bend County	\$ 0.49976	\$ 0.49976	\$ 0.48556	\$ 0.49976
Fort Bend ISD	1.27000	1.30500	1.34000	1.34000
Fort Bend LID 2	0.14500	0.13400	0.13400	0.13400
Fort Bend County MUD No. 21	0.39000	0.27000	0.26000	0.26000
Fort Bend LID 7	0.19460	0.19460	0.19460	0.19460
Eldridge Road MUD	0.25000	0.22000	0.08000	-
Fort Bend WCID No. 2	0.18000	0.18000	0.18000	0.18000
First Colony LID No. 2	0.29500	0.28500	0.27500	0.27500
Burney Road MUD	0.30000	0.24250	0.26750	0.26750
First Colony MUD 10	0.75000	0.75000	0.49000	0.49000
Ft. Bend MUD 136	0.62000	0.62000	0.57000	0.57000
Ft. Bend MUD 137	0.62000	0.57000	0.57000	0.57000
Ft. Bend MUD 138	0.62000	0.57000	0.57000	0.57000
Ft. Bend MUD 139	-	-	0.57000	0.57000
Ft. Bend LID 17	0.58000	0.63000	0.63000	0.63000
Imperial Redevelopment District	-	-	-	-
Ft. Bend LID 14	-	-	0.20000	0.20500
Ft. Bend LID 10	-	-	0.47500	0.47500
First Colony LID	-	-	0.19460	0.19460
Lamar Consolidated ISD	-	-	1.36455	1.39000

Source: Central Appraisal District Website

(A) Tax rate per \$100 assessed valuation

(B) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

<b>2013 2012</b>	<b>2014 2013</b>	<b>2015 2014</b>	<b>2016 2015</b>	<b>2017 2016</b>	<b>2018 2017</b>
\$ 0.17285	\$ 0.17285	\$ 0.17035	\$ 0.17035	\$ 0.17035	\$ 0.17921
0.13610	0.13610	0.14560	0.14560	0.14560	0.13841
<u>\$ 0.30895</u>	<u>\$ 0.30895</u>	<u>\$ 0.31595</u>	<u>\$ 0.31595</u>	<u>\$ 0.31595</u>	<u>\$ 0.31762</u>
\$ 0.48076	\$ 0.49976	\$ 0.49476	\$ 0.48600	\$ 0.47400	\$ 0.46900
1.34000	1.34000	1.34000	1.34000	1.34000	1.32000
0.12900	0.12900	0.12000	0.11000	0.10670	0.11100
0.24000	-	-	-	-	-
0.19460	0.20500	0.23500	0.23500	0.22500	0.32000
-	-	-	-	-	-
0.18000	0.18000	0.18000	0.18000	0.21250	0.21250
0.27500	0.27500	0.25000	0.25000	0.20000	0.20000
0.26750	0.26000	0.26000	0.25500	0.25000	0.23000
0.49000	0.47000	0.41000	0.25000	0.20000	0.19000
0.54000	0.54000	0.50000	0.43000	0.42000	0.42000
0.54000	0.48000	0.43000	0.42000	0.41500	0.41500
0.54000	0.48000	0.44500	0.43500	0.41500	0.41500
0.54000	0.54000	0.44000	0.41000	0.41000	0.41000
0.65000	0.65000	0.63000	0.61000	0.57000	0.57000
-	1.10000	1.10000	1.10000	1.10000	1.10000
0.20500	0.20500	0.20000	0.19500	0.19500	0.19500
0.62000	0.62000	0.64300	0.64300	0.64300	0.69000
0.19460	0.15500	0.15500	0.15250	0.15000	0.14620
1.39000	1.39000	1.39000	1.39000	1.39000	1.39000



**CITY OF SUGAR LAND, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Tax Rate</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>	
				<b>Amount</b>	<b>Percent of Levy</b>
2009	2008	\$ 0.30000	\$ 25,973,127	\$ 25,953,447	99.1%
2010	2009	0.30000	27,470,783	27,567,908	99.5%
2011	2010	0.30000	27,793,004	27,743,159	99.7%
2012	2011	0.30245	28,555,212	28,502,346	99.6%
2013	2012	0.30895	29,941,228	29,998,455	99.6%
2014	2013	0.30895	31,509,868	31,543,063	99.6%
2015	2014	0.31595	34,685,161	34,625,522	99.5%
2016	2015	0.31595	37,936,779	37,856,002	99.6%
2017	2016	0.31595	39,656,791	39,563,094	99.6%
2018	2017	0.31762	41,023,392	40,828,540	99.5%

<b>Collections (Refunds) in Subsequent Years</b>	<b>Total Collections to Date</b>	
<b>Amount</b>	<b>Amount</b>	<b>Percent of Levy</b>
\$ (2,338)	\$ 25,951,109	99.9%
(117,736)	27,450,172	99.9%
32,377	27,775,536	99.9%
35,919	28,538,265	99.9%
(75,344)	29,923,111	99.9%
(65,855)	31,477,208	99.9%
13,672	34,639,194	99.9%
39,324	37,895,326	99.9%
25,347	39,588,441	99.8%
	40,828,540	99.5%

**CITY OF SUGAR LAND**  
**PRINCIPAL PROPERTY TAXPAYERS**  
*Current Year and Nine Years Ago*

	<b>Fiscal Year 2018</b>			<b>Fiscal Year 2009</b>		
	<b>Tax Year 2017</b>			<b>Tax Year 2008</b>		
<b>Taxpayer</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>% of Total Assessed Valuation</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>% of Total Assessed Valuation</b>
LCFRE Sugar Land Town Square LLC	\$ 111,240,671	1	0.86%	\$		
Tramontina USA Inc.	99,950,340	2	0.77%	91,482,680	3	1.05%
Amerisource Bergen Drug Corp.	96,262,040	3	0.74%	53,635,620	6	0.61%
Lakepointe Assets, LLC	95,521,220	4	0.74%	102,390,390	2	1.17%
First Colony Mall LLC	86,162,840	5	0.66%			
Sugar Creek/EPG LLC & Sugar Creek TIC Investors LLC	63,541,650	6	0.49%			
Weingarten Realty Investors & WRI/Post Oak Inc.	60,997,560	7	0.47%	52,418,930	8	0.60%
Nalco Energy Services	57,822,510	8	0.45%			
Houston Sugar Creek LLC	52,981,260	9	0.41%			
Schlumberger Tech Corp-SPC & Well Services	50,936,600	10	0.39%			
STC, MFG Group-SPC				161,124,860	1	1.85%
GGP - Sugar Land Mall, LP				81,375,250	4	0.93%
Sugar Land Telephone Co. (Alltel)				55,643,670	5	0.64%
HE Sugar Land Buildings LP				53,530,700	7	0.61%
Covington First Colony Acquisition LLC				43,732,270	9	0.50%
Town Center Lakeside LTD				39,116,830	10	0.45%
	775,416,691		5.97%	734,451,200		8.42%
Other taxpayers	12,203,799,488		94.03%	7,991,198,355		91.58%
<b>Total Assessed Valuation</b>	<b>\$ 12,979,216,179</b>		<b>100.00%</b>	<b>\$ 8,725,649,555</b>		<b>100.00%</b>

Source - Tax assessor/collector's records  
Note - Assessed valuation is net of exemptions

**CITY OF SUGAR LAND, TEXAS**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>General Obligation Debt***</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value* of Property</b>	<b>Per Capita**</b>
2009	2008	\$ 113,820,000	\$ 4,808,870	\$ 109,011,130	1.2%	\$ 1,370
2010	2009	162,675,000	5,226,158	157,448,842	1.7%	1,863
2011	2010	248,415,000	7,014,403	241,400,597	2.6%	2,856
2012	2011	232,965,000	4,069,685	228,895,315	2.4%	2,708
2013	2012	218,415,000	3,230,208	215,184,792	2.2%	2,546
2014	2013	236,850,000	4,105,011	232,744,989	2.3%	2,691
2015	2014	286,340,000	4,639,682	281,700,318	2.6%	3,239
2016	2015	289,765,000	5,749,686	284,015,314	2.4%	3,246
2017	2016	302,289,999	5,549,013	296,740,986	2.4%	3,327
2018	2017	312,025,000	6,263,712	305,761,288	2.4%	2,605

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

\*\* Population data can be found in the Schedule of Demographic and Economic Statistics.

\*\*\* Includes general obligation bonds and certificates of obligation of governmental activities and business-type activities

**CITY OF SUGAR LAND**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
*Last Ten Fiscal Years*

<b>Governmental Activities</b>							
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Annexed MUD Debt</b>	<b>Certificates of Obligation</b>	<b>Capital Leases</b>	<b>Sales Tax Revenue Bonds</b>	<b>Tax Note</b>	<b>Issuance Premiums/ (Discounts)</b>
2009	\$74,310,000	\$ 1,485,000	\$ 26,035,000	\$ 938,143	\$ 11,005,000	\$	\$ 642,481
2010	87,580,000	6,235,000	56,913,005	2,430,846	10,515,000		1,561,071
2011	78,005,000	5,850,000	54,313,990	2,030,854	10,010,000		1,333,100
2012	74,095,000	5,525,000	45,376,995	1,664,554	9,485,000		1,759,679
2013	67,090,000	5,190,000	40,879,596	1,287,784	8,935,000		1,847,338
2014	58,440,000	11,665,000	63,231,995	954,273	15,345,000		1,731,326
2015	66,190,000	6,270,000	111,279,394	611,817	52,400,000	3,120,675	12,054,362
2016	82,065,000	2,325,000	104,245,202	260,170	50,655,000	3,964,881	16,802,933
2017	82,095,000	1,785,000	118,057,601		48,865,000	3,193,169	17,512,513
2018	74,750,000	31,405,000	111,255,000		47,020,000	3,247,426	17,506,838

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**Business-Type Activities**

<b>Revenue Bonds</b>	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Issuance Premiums/ (Discounts)</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income*</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita *</b>
\$ 40,420,000	\$	\$ 11,990,000	\$ 80,750	\$ 166,906,374	5.6%	1.9%	\$2,098
65,940,000		11,946,995	220,808	243,342,725	7.3%	2.6%	2,879
62,225,000		110,246,010	184,234	324,198,188	12.2%	3.5%	3,836
80,400,000		107,968,005	147,404	326,421,637	9.1%	3.4%	3,862
75,670,000	5,610,000	99,645,404	1,419,321	307,574,443	8.2%	3.2%	3,639
86,180,000	5,510,000	98,003,005	1,222,767	342,283,366	9.1%	3.3%	3,957
92,980,000	5,080,000	97,520,606	2,278,431	449,785,285	10.8%	4.1%	5,172
91,355,000	7,660,000	93,469,798	7,756,729	460,559,713	11.3%	3.8%	5,263
105,220,000	7,030,000	93,322,398	8,228,825	485,309,506	10.9%	3.8%	5,441
98,510,000	84,580,000	10,035,000	15,488,679	493,797,943	8.3%	3.8%	4,207

\*See the Schedule of Demographic and Economic Statistics for personal income and population data.

**CITY OF SUGAR LAND, TEXAS**  
**DIRECT AND ESTIMATED OVERLAPPING**  
**GOVERNMENTAL ACTIVITIES DEBT**  
*September 30, 2018*

Taxing Jurisdiction	Gross Debt	Overlapping	
		Estimated Percentage *	Amount
Burney Road MUD	\$ 8,600,000	100.00%	\$ 8,600,000
First Colony MUD No. 10	12,650,000	100.00%	12,650,000
First Colony LID	-	100.00%	-
Fort Bend County	489,875,527	20.76%	101,698,159
Fort Bend County LID No. 2	11,680,000	100.00%	11,680,000
Fort Bend County LID No. 7	35,735,000	100.00%	35,735,000
Fort Bend County LID No. 10	12,670,000	100.00%	12,670,000
Fort Bend County LID No. 11	30,065,000	100.00%	30,065,000
Fort Bend County LID No. 14	2,505,000	100.00%	2,505,000
Fort Bend County LID No. 17	54,875,000	100.00%	54,875,000
Fort Bend County MUD No. 116	25,000,000	0.25%	62,500
Fort Bend County MUD No. 136	4,060,000	100.00%	4,060,000
Fort Bend County MUD No. 137	27,545,000	100.00%	27,545,000
Fort Bend County MUD No. 138	38,800,000	100.00%	38,800,000
Fort Bend County MUD No. 139	13,045,000	100.00%	13,045,000
Fort Bend County WC&ID No. 2	64,045,000	0.50%	320,225
Fort Bend ISD	1,000,633,767	37.15%	371,735,444
Imperial Redevelopment District	24,400,000	100.00%	24,400,000
Lamar CISD	1,062,270,000	10.06%	106,864,362
<b>Total Overlapping Debt</b>			<b>\$ 857,310,691</b>
City of Sugar Land	\$ 194,017,426	100.00%	194,017,426
<b>Total Direct and Overlapping Debt</b>			<b>\$ 1,051,328,117</b>

Ratio of Direct and Overlapping Funded Debt  
to 2017 Taxable Assessed Valuation 8.10%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\* The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value by the County and related other County entities certified taxable values.

\*\*Does not include the \$104,065,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Refunding Bonds, Series 2012.

Source-Tax Department records of the various governments and the financial advisor for the City.

**CITY OF SUGAR LAND, TEXAS**

**PLEDGED REVENUE COVERAGE**

*Last Ten Fiscal Years*

Fiscal Year	Gross Revenue (A)	Total Operating Expenses (B)	Net Revenue Available for		Debt Service Requirements (C)			Times Coverage
			Debt Service	Debt Service Requirements (C)				
				Principal	Interest	Total		
Utility/Surface Water - Waterworks and Sewer System Revenue Bonds and Combo Tax and Revenue Certificates of Obligation								
2009	\$ 29,493,918	\$ 12,534,620	\$ 16,959,298	\$ 2,535,000	\$ 1,777,648	\$ 4,312,648	3.93	
2010	27,851,605	12,249,239	15,602,366	3,715,000	2,628,310	6,343,310	2.46	
2011	35,879,212	14,481,658	21,397,554	5,495,000	6,727,898	12,222,898	1.75	
2012	40,961,236	13,325,073	27,636,163	6,360,000	7,138,761	13,498,761	2.05	
2013	43,056,189	13,980,526	29,075,663	6,535,000	7,138,988	13,673,988	2.13	
2014	44,461,529	15,551,786	28,909,743	7,305,000	6,736,571	14,041,571	2.06	
2015	43,600,505	21,062,882	22,537,623	6,875,000	7,435,047	14,310,047	1.57	
2016	46,769,917	21,687,088	25,082,829	7,990,000	7,479,132	15,469,132	1.62	
2017	49,199,097	29,015,314	20,183,783	8,870,000	7,968,510	16,838,510	1.20	
2018	58,838,605	36,961,426	21,877,179	8,325,000	7,677,956	16,002,956	1.37	
Airport - Combination Tax and Revenue Certificates of Obligation and General Obligation Refunding Bonds								
2009	\$ 8,909,097	\$ 7,389,197	\$ 1,519,900	\$ 480,000	\$ 512,208	\$ 992,208	1.53	
2010	11,095,870	8,990,899	2,104,971	510,985	507,479	1,018,464	2.07	
2011	14,365,263	12,421,540	1,943,723	533,005	484,240	1,017,245	1.91	
2012	15,686,832	13,442,241	2,244,591	562,601	458,337	1,020,938	2.20	
2013	16,580,724	13,971,288	2,609,436	617,399	584,625	1,202,024	2.17	
2014	16,947,944	14,005,337	2,942,607	672,399	359,000	1,031,399	2.85	
2015	13,773,153	11,605,184	2,167,969	692,399	400,254	1,092,653	1.98	
2016	11,884,935	9,844,254	2,040,681	757,399	365,604	1,123,003	1.82	
2017	13,574,284	11,661,097	1,913,187	837,398	433,676	1,271,074	1.51	
2018	15,561,819	13,592,408	1,969,411	860,000	398,623	1,258,623	1.56	
Sugar Land Development Corporation - Sales Tax Revenue Bonds								
2009	\$ 5,126,108		\$ 5,126,108	\$ 490,000	\$ 496,530	\$ 986,530	5.20	
2010	4,765,732		4,765,732	505,000	465,436	970,436	4.91	
2011	5,002,593		5,002,593	525,000	433,249	958,249	5.22	
2012	5,418,133		5,418,133	550,000	405,499	955,499	5.67	
2013	5,635,748		5,635,748	575,000	382,655	957,655	5.88	
2014	6,155,747		6,155,747	775,000	635,546	1,410,546	4.36	
2015	6,591,810		6,591,810	1,745,000	2,480,746	4,225,746	1.56	
2016	6,679,523		6,679,523	1,790,000	2,395,290	4,185,290	1.60	
2017	6,432,303		6,432,303	1,845,000	2,304,296	4,149,296	1.55	
2018	7,126,296		7,126,296	1,900,000	2,210,621	4,110,621	1.73	
Sugar Land 4B Corporation - Sales Tax Revenue Bonds								
2009	\$ 6,776,475		\$ 6,776,475	\$ 1,025,000	\$ 647,116	\$ 1,672,116	4.05	
2010	4,735,081		4,735,081	1,195,000	429,231	1,624,231	2.92	
2011	5,020,642		5,020,642	1,635,000	1,742,456	3,377,456	1.49	
2012	5,430,099		5,430,099	1,660,000	1,691,606	3,351,606	1.62	
2013	5,629,941		5,629,941	1,705,000	1,639,706	3,344,706	1.68	
2014	6,506,277		6,506,277	1,780,000	1,583,844	3,363,844	1.93	
2015	6,727,338		6,727,338	1,840,000	1,522,638	3,362,638	2.00	
2016	6,735,498		6,735,498	1,885,000	1,457,419	3,342,419	2.02	
2017	6,137,600		6,137,600	1,960,000	1,388,781	3,348,781	1.83	
2018	6,907,114		6,907,114	2,025,000	1,316,344	3,341,344	2.07	

- (A) Gross revenue, as defined in the revenue bond ordinances, includes operating and non-operating revenue and excludes capital contributions (grant revenue), and capital recovery fees.
- (B) Total expenses, as defined in the revenue bond ordinances, do not include amortization, depreciation, and bond interest and fiscal charges.
- (C) Debt service requirements are based on the expected debt service payments for the following fiscal year.

Note: Pledged revenue, as defined in the revenue bond ordinance, for SLDC and SL4B sales tax revenue bonds are sales tax revenues and interest and earnings from investment of funds on deposit. Expenses are not netted with pledged revenues for the purpose of calculating times coverage.



**CITY OF SUGAR LAND, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income<sup>1</sup> (\$000's)</b>	<b>Per Capita Income<sup>1</sup></b>	<b>Median Age<sup>2</sup></b>	<b>Educational<sup>1</sup> Attainment*</b>	<b>Unemployment Rate<sup>2</sup></b>
2009	79,573	\$ 2,986,693	\$ 37,534	36.4	53%	4.8%
2010	84,511	3,353,396	39,680	36.7	55%	6.1%
2011	84,511	2,659,858	41,683	40.5	54%	6.5%
2012	84,511	3,586,815	42,442	41.2	54%	4.5%
2013	84,511	3,737,330	44,223	40.7	54%	4.9%
2014	86,495	3,781,499	44,375	41.4	54%	3.9%
2015	86,972	4,149,181	48,807	41.7	55%	4.6%
2016	87,504	4,086,683	48,117	41.8	54%	4.5%
2017	89,203	4,465,681	50,062	42.0	56%	3.9%
2018	117,386 **	5,937,149	50,578	41.2	58%	3.5%

Data Sources:

1 - U.S. Census; ESRI

2 - Texas Workforce Commission

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average.

\* Percent of population over the age of 25 with Bachelor or Graduate degrees

\*\* Annexation of Greatwood and New Territory

**CITY OF SUGAR LAND, TEXAS**

**PRINCIPAL EMPLOYERS**

*Current Year and Nine Years Ago*

<b>Employer</b>	<b>2018</b>			<b>2009</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment (A)</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment (A)</b>
Methodist Sugar Land Hospital	2,300	1	3.48%	1,000	3	2.52%
Schlumberger	2,200	2	3.33%	2,000	2	5.03%
Fluor Enterprises, Inc.	1,980	3	3.00%	3,500	1	8.80%
United Healthcare/UnitedHealth Group	1,289	4	1.95%			0.00%
Nalco Champion, an Ecolab Company	546	5	0.83%	500	4	1.26%
ABM	500	6	0.76%			0.00%
Memorial Hermann Sugar Land	497	7	0.75%	340	10	0.86%
Tramontina USA, Inc.	419	8	0.63%			0.00%
St. Luke's Hospital Sugar Land	400	9	0.61%	358	8	0.90%
Baker Hughes	399	10	0.60%			0.00%
Noble Drilling Services, Inc.				407	5	1.02%
Camelot Desserts				400	6	1.01%
Aetna US Healthcare				360	7	0.91%
Baker Petrolite Corp.				350	9	0.88%
	<u>10,530</u>		<u>16%</u>	<u>9,215</u>		<u>23%</u>

(A) For 2018, estimated total employment was 66,030. For 2009, estimated total employment was 39,758

Source: Total employment estimates were obtained from the City's Economic Development Website

**CITY OF SUGAR LAND, TEXAS*****FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION******Last Ten Fiscal Years***

<b>Function</b>	<b>Full-time Equivalent Employees as of September 30,</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Governmental Activities:</b>				
General government	64.7	77.7	80.2	80.2
Administrative services	62.5	58.5	30.2	30.2
Public safety - Police	193.5	190.5	191.8	191.8
Public safety - Fire	112.0	108.0	107.0	107.0
*Public safety - EMS				
**Public works	38.9	41.9	52.5	52.5
Parks and recreation	29.3	34.4	34.4	34.4
**Community development	53.0	54.1	52.0	55.0
Environmental & Neighborhood Services				
<b>Business-type activities:</b>				
Utility	51.5	56.5	55.5	55.5
Solid waste management	2.0	2.0	2.0	2.0
Regional Airport	33.5	33.5	33.5	33.5
<b>Total</b>	<b>640.9</b>	<b>657.1</b>	<b>639.1</b>	<b>642.1</b>

Source: Budget Office

\* Three employees from Public Safety Fire were moved to Public Safety - EMS in 2014

\*\* Some employees from Public Works and Community Development were transferred to a new program called Environmental &amp; Neighborhood Services in 2016

Full-time Equivalent Employees as of September 30,					
2013	2014	2015	2016	2017	2018
83.2	78.7	82.0	77.7	95.2	93.2
27.5	34.0	34.0	38.0	39.0	40.5
194.5	198.5	200.5	201.3	230.5	230.5
107.0	108.0	109.0	109.0	109.0	110.0
	3.0	13.0	13.0	20.0	20.0
54.9	54.4	53.5	34.0	35.5	43.5
35.9	37.3	31.0	30.4	35.1	35.1
56.0	54.1	61.0	50.1	49.3	51.3
			40.5	40.5	43.5
59.5	66.0	67.5	71.5	85.5	87.5
2.0	2.5	2.5	2.5	2.5	3.5
42.0	42.0	41.0	44.0	46.0	46.0
662.5	678.5	695.0	712.0	788.0	804.5

**CITY OF SUGAR LAND, TEXAS**  
**OPERATING INDICATORS BY FUNCTION**  
*Last Ten Fiscal Years*

Function	Fiscal Year			
	2009	2010	2011	2012
City of Sugar Land				
Population	79,732	84,511	84,511	84,511
Square miles	32.2	33.5	33.5	33.5
Acres	20,618	21,451	21,451	21,516
Budgeted full time equivalent employees	640.9	657.1	642.0	642.0
Police				
Physical arrests	3,044	3,212	3,914	3,792
Traffic violations	22,056	21,370	27,053	24,157
Parking violations	285	203	615	652
Calls for service	66,711	69,298	162,669	151,967
Fire				
Number of calls answered	6,253	6,106	6,293	6,419
Parks and recreation				
Special events	19	19	15	18
Water				
New connections	527	1,656	448	432
Water main breaks	209	51	357	59
Annual Rainfall (inches)	22.3	55.0	17.2	57.1
Average daily production (MG)	16.77	12.99	18.01	15.70
Sewer				
Average daily WW treatment (MG)	7.81	7.81	7.71	8.27
Community Development				
Building Permits issued	8,115	7,982	8,629	7,583
Airport				
No. of fuel gallons sold	2,053,874	2,418,443	2,714,881	2,847,905
Fuel Sales	\$ 7,437,870	\$ 9,530,961	\$ 12,766,985	\$ 13,876,503
Aircraft served	12,663	12,309	13,160	18,843

Source: Various City Departments.

\* The Police calls for service had included out of service calls in prior years. A new tracking system implemented in FY 2015.

\*\* There is a correction on the number of water main breaks from 170 to 35 FY 2014.

\*\*\* Correction on fuel sales for 2014

\*\*\*\*Correction for 2013 and 2014 aircraft served from budget to actual

Fiscal Year					
2013	2014	2015	2016	2017	2018
84,511	86,495	86,972	87,504	87,730	117,386
35.1	35.2	35.2	36.5	36.5	42.9
22,475	22,500	22,500	23,341	23,341	27,425
662.5	678.5	695.0	712.0	788.0	804.5
3,009	2,899	2,247 *	2,033	1,951	2,279
21,577	20,534	19,364 *	17,117	15,433	15,740
469	377	313 *	446	440	560
155,718	123,450	70,136 *	73,546	72,597	84,468
7,250	7,328	8,248	8,197	8,867	9,464
18	18	20	18	12	7
186	186	194	207	210	200
211	35 **	45	26	42	33
35.5	48.3	62.6	73.6	92.9	47.4
15.15	15.47	15.35	15.51	15.99	19.56
7.28	8.02	8.65	8.59	8.49	10.75
7,362	7,271	6,798	6,973	6,683	7,850
3,015,916	2,968,546	2,868,330	2,820,170	3,064,106	3,203,339
\$ 14,616,206	\$ 14,934,003 ***	\$ 11,551,592	\$ 9,636,133	\$ 11,187,372	\$ 13,048,560
13,353	12,017 ****	11,375 *****	11,648	11,510	12,274

**CITY OF SUGAR LAND. TEXAS**  
**CAPITAL ASSETS STATISTICS BY FUNCTION**  
*Last Ten Fiscal Years*

Function	Fiscal Year			
	2009	2010	2011	2012
General government				
Municipal buildings	36	36	38	40
Conference center	1	1	1	1
Public safety				
Police Protection				
Stations	1	1	1	1
Fire Protection				
Stations within city limits	5	5	5	6
Stations operated through agreements with MUDs served in ETJ	1	1	1	1
Highways and streets				
Linear miles of sidewalks	405	432	432	450
Storm sewers (miles)	242	246	246	338
Traffic signals	74	80	78	79
Parks and recreation				
Parks	22	24	23	24
Community centers	6	6	6	6
Parks acreage				
Developed	507	562	562	562
Undeveloped	569	695	695	760
Water				
Water wells	15	17	17	17
Water mains (miles)	370	415	421	431
Fire hydrants	3,363	3,610	3,817	3,993
Maximum daily demand (MG)				
Groundwater	42.90	27.20	36.07	30.14
Waste water				
Waste water treatment plants	2	2	2	2
Sanitary sewers (miles)	338	381	395	405
Max daily efficiency flow (MG)	13.5	13.5	13.5	13.5

Source: Various City Departments.

\* This includes NP at 12.9 and SP at 11.4-Add'l Information

\*\* Correcting the data for 2012-2014

\*\*\* Well at Sugar Creek Tennis Court Well has been plugged in April 2014-Correction to 2014 data

Fiscal Year					
2013	2014	2015	2016	2017	2018
40	40	40	40	40	40
1	1	1	1	1	1
1	1	1	1	1	1
6	6	6	6	6	7
1	1	1	1	1	0
500	500	537	537	538	846
338	338	350	350	343	619
81	85	85	85	88	90
24	24	26	27	27	27
6	6	6	6	6	6
562 **	571 **	571	924	963	966
760 **	807 **	807	1484	1261	1261
17	16 ***	16	16	16	23
431	441	452	465	495	643
4,000	4,050	4,134	4,296	4,320	5495
29.89	29.97	25.84	31.00	35.70	36.22
2	2	2	2	2	4
405	412	426	424	450	549
13.5	13.5	24.3 *	18.8	44.4	21.2



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